THE ACTIVITIES,
FINDINGS AND
RECOMMENDATIONS OF THE 1994-95
COMMISSION ON POVERTY

FAMILIES FIRST:

EMPOWERING KENTUCKY'S PEOPLE AND COMMUNITIES

RESEARCH REPORT NO. 273

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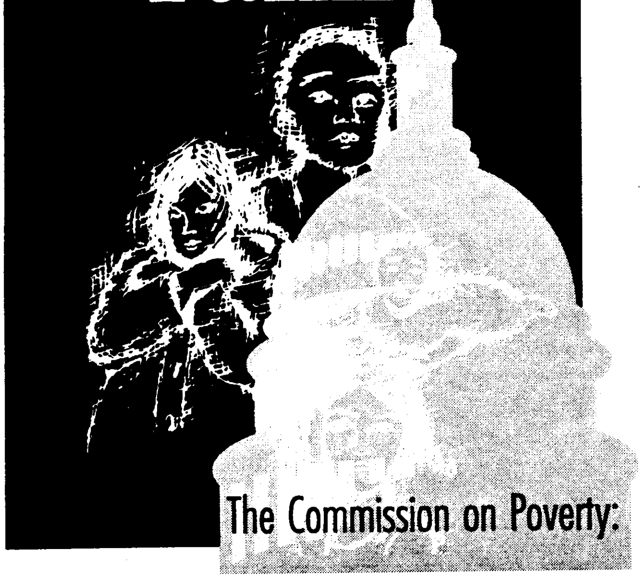
Families First:

Empowering Kentucky's People and Communities

Report of the 1994-95 Commission on Poverty



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FOREWORD

In reponse to a growing concern about Kentucky's poor, the1994 General Assembly passed Senate Concurrent Resolution No. 74, creating the Commission on Poverty. The Commission consisted of eleven members of the House and Senate and eleven citizens from communities around the state. The following report contains its findings, conclusions, and recommendations for antipoverty policy.

Many individuals and agencies deserve acknowledgment for their contributions to this report. The Commission thanks former director Vic Hellard for his vigorous support of the research process. It also acknowledges Gilmore Dutton, Ginny Wilson, David Witt, Dan Jacovitch, Rose Mack, Stewart Willis, Terry Sebastian, Stephen Keller, Dianna McClure, Gordon Mullins, Charlie Bush, and countless other Legislative Research Commission staff for their generous donation of time and effort. Further, the Commission on Poverty expresses its appreciation to Department of Education, Council on Higher Education, and Higher Education Assistance Authority officials, and officials of the Human Resources, Workforce Development, and Economic Development Cabinets for their review of selected portions of the text. Most importantly, the Commission members are grateful for the insightful testimony of numerous economically disadvantaged citizens who testified during public hearings in Covington, Louisville, and Whitesburg. Their words were a powerful reminder of the human face of poverty.

Don Cetrulo
Director
The Capitol
Frankfort, Kentucky
March, 1996

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Executive Summary

The 1994 General Assembly passed Senate Concurrent Resolution 74, creating the Commission on Poverty, a panel of citizens and legislators responsible for recommending changes in state programs to improve responsiveness to the poor and to increase the rate of success in eliminating causes of poverty. From November 1994 through September 1995, the Commission held monthly meetings, during which it gathered testimony from officials representing various state agencies. In addition, three public forums for citizens were held in the communities of Covington, Louisville, and Whitesburg. From the mass of data and information gathered during the course of its relatively brief life, the Commission developed an all-inclusive set of findings and recommendations. Although too numerous to include here, they are located throughout the text, and are repeated at the end of the report.

Background

The impetus for creating the Commission on Poverty came from an observation of the rise in Kentucky's poverty rates during the decade of the '80s. Following a measured decline in poverty from 1969 to 1979, Kentucky's poverty rate rose from 17.6 percent in 1979 to 19 percent in 1989. Most disturbing was data developed through the 1990 census that indicated that 25 percent of all children in Kentucky, and 28 percent of children under the age of 5, were living in poverty. The Commission was the legislature's response to the indications of growing numbers of people in poverty in Kentucky.

The Demographics of Poverty

According to the 1990 census, 19 percent of all Kentuckians (approximately 682,000 individuals) have incomes below the federal poverty line. The state's poverty rate was the sixth highest in the nation for 1989, and has been consistently high over the last 30 years.

The largest numbers of poor people are found in urban areas; the counties with the highest poverty rates are rural, and concentrated in the eastern part of the state. Analysis of demographic data indicates that the geographic distribution of poverty is different for various subgroups of the poor, and that having a job is the single most important characteristic of adults in determining whether their families live above or below poverty. Chapter II describes in detail the characteristics of subgroups of the poor, determines what demographic factors are most helpful in explaining poverty, and examines some implications for antipoverty policy.

Myths and Misconceptions

Myths and misconceptions about the poor are examined in Chapter III. Although it is commonly believed that the poor are the same everywhere in Kentucky and have the same problems, the characteristics of the poor actually vary among regions of the state. Another misconception is that most poor Kentuckians receive some sort of public assistance. According to 1990 Census data, only one-fourth of the adults living with children in poverty reported receiving any income from public assistance.

Problems of Women and Men in Poverty

The Commission discovered that poor women and poor men often encounter different problems when struggling to overcome poverty. Poor, single mothers face a low-earnings capacity, an absence of economies of scale, a low level of support provided by public assistance programs, unreliable provisions frequently of child support payments, and a lack of affordable child care and health care. Men in poverty receive little guidance in obtaining academic or vocational education and little to no explanation of services available through the Job Opportunities and Basic Skills Program (JOBS) and the Job Training Partnership Act (JTPA). In addition, they have limited options for employment counseling. Chapter IV examines the obstacles to self-sufficiency facing each gender and recommends ways to minimize these obstacles.

Transitional Maintenance Programs

Chapter V broadens its focus by describing barriers to self-sufficiency that are common to all poor Kentuckians. In particular, several obstacles involving Kentucky's AFDC, JOBS, and Medicaid programs are discussed. For example, the ratable-reduction system in the AFDC Program yields cash payments that are not sufficient to raise a family above the poverty line. Self-employed AFDC recipients often experience difficulty in generating and keeping the necessary capital to start their own businesses because of federal regulations governing their assets. Kentucky's Transitional Child Care Assistance Program does not allow enough time for participants to achieve self-sufficiency and begin to pay the high cost of child care on their own. Other problems concern the absence of any requirement for mothers who are 20 and older to participate in the life-skills training component of the JOBS Program and the inadequate transportation allowances given to some rural JOBS participants. Recommendations designed to minimize, if not eliminate, these problems are presented. In anticipation of possible "block granting" of federal AFDC and Medicaid programs, this chapter also suggests ways to administer block grants, including preferred funding levels for poverty-related categorical programs.

Economic Development

The role of economic development programs in poverty reduction cannot be ignored. Chapter VI reviews Kentucky's tax incentive and loan programs, describes some of the shortcomings in the Commonwealth Venture Fund, and explores special topics, such as the role of technology and the role of public-private partnerships in economic development. The Commission found several problems in current development programs. For example, there is no significant effort to require the recipients of state tax incentives and loans to hire the poor or unemployed. Also absent are programs designed to encourage the development of jobs through the creation of small, high-risk businesses, identify potential entrepreneurs for indigenous businesses, and assist private, non-profit organizations in their efforts to foster local economic development. Further, Kentucky's development programs do not guarantee that wages paid by employers receiving state subsidies will be sufficient to support a family above the poverty level and they do not require these employers to provide health care and dependent care benefits. Recommendations are made to strengthen development programs and to create a vision for future development efforts.

Education, Vocation, and Literacy

Education, vocation, and literacy programs targeted to the economically and educationally impoverished are the focus of Chapter VII. Not surprisingly, the Commission discovered one major problem in these areas: lack of funding. Other problems involve the limited availability of child care services for students in secondary, postsecondary, and adult education programs, and the apparent failure of Kentucky's educational system to produce skilled workers for clerical and technical occupations. Recommendations to correct these problems are presented.

Higher Education Financial Assistance

The Commission examined the issue of access to higher education in Chapter VIII. Financial aid programs, outreach activities, and publications geared to low-income students are reviewed in this chapter, along with some special topics of interest, including the skills-mismatch phenomenon in postsecondary education and vocational programs, the negative social perception of vocational education, and the concept of articulation among community colleges and vocational-technical schools. Not surprisingly, the Commission found that low-income students experience difficulty in attending higher education institutions, mainly because of limited funding of state financial aid programs. Other problems include the difficulty in disseminating information about higher education opportunities to low-income students and the inability of vocational-technical schools to adequately consider the employment needs of their service areas when developing course offerings. The Commission also noted that community colleges and vocational-technical schools are moving too slowly in their efforts to create articulation agreements.

Empowering Local Communities

Various states, and even organizations within Kentucky, have recently developed innovative ways to deliver social services to clients. Chapter IX briefly describes some of these innovations and highlights the Oregon Commission on Families and Children. The Oregon Commission and others like it reflect a new concern for tailoring social services to the needs of local areas and promoting not only the reduction of poverty but the empowerment of local communities.

Lessons and Vision

Chapter X summarizes the lessons learned by Commission members over the last year and presents the Commission's vision for future antipoverty and community-empowerment policy.

Methodology[1]

Methodologies used in this report include review of literature, analysis of information and testimony provided by officials from numerous governmental and nongovernmental agencies, and statistical analysis of census data. Most importantly, the Commission drew upon citizen testimony from its public hearings.

ENDNOTES

[1] *The reader will notice the absence of references for some information in the following chapters. All facts, figures, and direct quotes from various sources without accompanying references are taken directly from the Commission on Poverty's regular monthly meetings and public hearings. References are provided for all other "outside" material (i.e., material not originating in regular meetings or public hearings).*

Chapter I

Introduction

In the late 1960s, journalist Daniel Schorr accompanied Senator Robert Kennedy on his trip to the Mississippi Delta to witness first-hand the effects of poverty. As they traveled from one poor community to the next, Schorr recalls the senator shaking his head in dismay and muttering, "This is unacceptable ... unacceptable."[1] Today, in the mid 1990's, poverty in Kentucky can be described as unacceptable.

Despite some noteworthy successes, poverty in Kentucky has persisted, and even worsened in many ways, despite the efforts of policymakers and citizens. Kentucky's poverty rate has remained well above the national average for the past 30 years. According to the 1990 Census, the 1989 national poverty rate was 13 percent, while the state poverty rate was 19 percent — the sixth highest in the country for that year.[2] In contrast to the current trend, Kentucky's poverty rates in 1969 and 1979 were 22.9 and 17.6 percent, respectively.

Even more disturbing are the data that describe different groups of economically disadvantaged Kentuckians. Twenty-five percent of all children, and 28 percent of children under 5, were living in poverty in 1989. These figures are up from 21.6 percent and 23 percent, respectively, in 1979.

In response to this and other disturbing data about poverty in Kentucky, the General Assembly passed Senate Concurrent Resolution 74 in March 1994, creating the Commission on Poverty.

The Commission consisted of 11 members of the House and Senate, as well as 11 at-large members from various communities around the state. As a guide for its activities, the Commission adopted the following mission statement:

1) Identify and record the incidence of poverty in Kentucky;

2) Develop a description of the poor and the communities in which they live;

3) Determine the causes of poverty, and distinguish among those causes as they differ by geographic regions and categories of the poor;

4) Evaluate the ability of existing programs to mitigate the causes of poverty;

5) Identify and examine other states' programs which have been successful in addressing the causes of poverty;

6) Recommend changes in existing state programs, or the creation of new programs, to improve responsiveness to the needs of the poor and to increase the rate of success in eliminating sources of poverty; and

7) Report the findings of the commission to the Legislative Research Commission on a timely basis for action by the 1996 Session of the General Assembly.

MISSION STATEMENT

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- Identify and examine other states' programs which have been successful in addressing the causes of poverty;
- Recommend changes in existing state programs, or the creation of new programs, to improve responsiveness to the needs of the poor and to increase the rate of success in eliminating sources of poverty; and
- Report the findings of the commission to the Legislative Research Commission on a timely basis for action by the 1996 Session of the General Assembly.

The Commission on Poverty feels that there are several strengths in the following chapters. The broad focus of the report allows for a comprehensive examination of poverty in Kentucky. In the past, researchers viewed this problem from the narrow perspective of "welfare" policy and largely ignored non-welfare programs affecting poverty. The Commission's report goes beyond this limited focus and examines other programs involving elementary and secondary education, vocational schooling, higher education, and economic development. It also offers a realistic assessment of selected state programs affecting poverty. Testimony from government officials, citizens and others, along with an extensive review of Census data, allowed the Commission to identify the strengths and weaknesses of existing programs and to even suggest the creation of new ones.

The report highlights examples of successful programs created by local, non-profit organizations that are designed to improve the quality of life for all citizens in a given community. It also critiques several programs developed by other states which had a significant, positive impact on the reduction of poverty in those jurisdictions. In fact, it was the Commission's observations of the factors shared by successful local programs in Kentucky and other state's programs that led to one of the Commission's more significant conclusions, i.e., that the keys to success in the fight against poverty are the empowerment of communities to chart their own course in dealing with problems attendant to poverty, and to address the needs of all families and children in the community, not just those who are at immediate risk. As discussed below, the Commonwealth must enhance its human capital through investments in education, training, nutrition and health care, and thereby secure brighter futures for all its citizens, including the poor. As a result, Kentucky will not only reduce poverty but will become the vibrant and prosperous state that it can be.

The Commission consciously refrained from immersing itself in a philosophical discussion of the causes of poverty, which, in its view, are as many and varied as the people affected.[3] Rather, the Commission chose to concentrate on immediate problems which lend themselves to practical solutions. For example, the Commission found unemployment to be one of the most basic and compelling explanations of poverty, and emphasized recommendations which addressed that issue. During each meeting and hearing, the Commission simply identified ways of reducing poverty and strengthening families and communities, instead of defining and assigning value to various causal explanations. Granted, this strategy required the Commission to make certain causal assumptions about the nature of poverty. Nevertheless, the Commission believed this approach to be more realistic and efficient than engaging in an endless debate over the causes of poverty and then developing recommendations based on that discussion.

Homelessness, the availability of legal services for the poor, and a detailed examination of urban and rural public housing programs are not included in the discussion, for the obvious reason that, given the limited time and resources, the Commission could not address every aspect of poverty. But the Commisions's major mission, to disclose the incidence and demographics of poverty, to identify its immediate source, and to offer practical suggestions to address its sources, has been accomplished. Through this report, the Commission hopes to stimulate debate about the lingering dilemma of poverty in Kentucky.

ENDNOTES

[1] *Daniel Schorr, "Foreword," in* America's New War on Poverty: A Reader for Action, *ed. Robert Lavelle (San Francisco: KQED Books, 1995), p. xi.*

[2] *The federal government conducted the 1990 Census in 1989. In the interest of accuracy, the prior year is cited for official census data.*

[3] *Chapter 4 of James Jennings'* Understanding the Nature of Poverty in Urban America *(1994) reviews major explanations of urban poverty. The Task Force on Persistent Rural Poverty examines major theories of rural poverty in* Persistent Poverty in Rural America *(1993).*

Chapter II Poverty in Kentucky: A Demographic Analysis[1]

Any significant effort to address the causes of poverty requires an understanding of the features of the problem. This includes a disclosure of how many poor there are in Kentucky, where they are, who they are, and if possible, why they are poor. This chapter presents the relevant data, examines its significance, and offers conclusions regarding the development of state policy addressing poverty.

The federal government defines "poverty" as three times the annual cost of a minimally adequate diet, as determined by the U.S. Department of Agriculture.[2] This standard varies by family size, number of children, and age of the head of household. In addition, an annual adjustment is made for inflation, as measured by the Consumer Price Index. Table 2.1 provides the latest federal poverty thresholds. For example, a family of three with an income of $11,821 or less would be classified as "poor" according to federal poverty thresholds.

A common misconception about poverty is that the federal poverty thresholds offer an accurate and complete definition of who is poor. The thresholds have been criticized for a number of conceptual and technical shortcomings, which tend in some cases to overestimate or to underestimate the extent of poverty. The conceptual basis of the poverty thresholds — three times the cost of a subsistence diet — is no longer valid, as food now constitutes a smaller share (about one-fifth[3]) of the average household budget than when the measure was first constructed, while other expenses, namely housing and child care, comprise a larger share.

Another conceptual problem is that dollar thresholds imply a stark, black-and-white world: one is either "poor" or "nonpoor". In reality, economic status is a continuous spectrum of grays, on which poverty thresholds are finally an arbitrary cutoff. Thus, the barely "poor" (earning just below the poverty threshold) are likely to have more in common with the near-poor (earning just above the threshold) than with those who are abjectly poor (earning less than half the threshold) — though their official poverty status would suggest otherwise. The traditional poverty thresholds capture neither *depth of poverty* nor *proximity to poverty.*

Some critics contend that the poverty thresholds underestimate poverty by ignoring the overall rise in national living standards. Since their development in the 1960s, the thresholds have been adjusted only for inflation. The result is a measure of poverty based on a constant standard of living (in real terms), or an *absolute* concept of poverty. *Relative poverty,* on the other hand, would reflect rising living standards as well as rising prices. In this view, the current thresholds are too low, since they are based on a 30-year-old standard of living, and the extent of poverty is therefore understated. It should be noted that in periods of declining prosperity, the opposite would hold true: an absolute measure of poverty (such as the existing thresholds) would *overstate* poverty over time, in comparison with a relative measure. By some measures, living standards in this country have been in decline since the mid-'70s. Thus, the long-term bias of an absolute versus a relative measure of poverty in this country is not necessarily one of understatement.

A related but broader criticism is simply that the

Table 2.1
1994 Federal Poverty Thresholds*

Family Size	100% of Poverty	200% of Poverty	300% of Poverty
1	$7,547	$15,094	$22,641
2	$9,661	$19,322	$28,983
3	$11,821	$23,642	$35,463
4	$15,141	$30,282	$45,423
5	$17,900	$35,800	$53,700
6	$20,235	$40,470	$60,705
7	$22,923	$45,846	$68,769
8	$25,427	$50,854	$76,281
9 or more	$30,300	$60,600	$90,900

Source: U.S. Bureau of the Census
***Figures are the latest available**

thresholds understate a minimally adequate livelihood — whether by not accounting for rising living standards over time, or simply by being set too low at the outset. This view is supported by surveys of the public which inquire how much money is needed "to get by in this community"; respondents generally suggest levels up to 50 percent higher than the current poverty threshold.[4]

Table 2.2
Kentucky Population for Whom Poverty was Determined By Poverty Status, 1989*

Income as a Percent of Poverty	Number	Percent
Below Poverty		
Under 50%	303,451	8.5%
50% to 74%	178,851	5.0%
75% to 99%	199,525	5.6%
Total	681,827	19.1%
Above Poverty		
100% and up	2,900,632	81%
Total	3,582,459	100%

Source: U.S. Bureau of the Census

***The Census Bureau does not determine poverty status for the entire population. Excluded are institutionalized persons, persons in military group quarters, residents of college dormitories, and unrelated individuals under 15 years old. These excluded groups consitute less than 3 percent of Kentucky's population.**

Charges that the thresholds *overstate* poverty center not on the level of the thresholds, but rather on the way family income is measured in comparison with the thresholds. In general, only cash income is considered; in-kind assistance, such as food stamps and health care (Medicaid), is not taken into account, nor is wealth (assets), such as savings and property.

Despite these shortcomings, however, the federal poverty thresholds are valuable as the only widely available measures which are consistent across geographic areas and available at a relatively disaggregated level. In terms of understanding the demographic and geographic characteristics of poor Kentuckians, no superior alternative is available.

How many Kentuckians are poor?

According to the 1990 Census, 19 percent of Kentuckians (approximately 682,000 individuals) have incomes below the federal poverty line. The state's poverty rate was the sixth-highest in the nation for 1989, and has been consistently high over the last 30 years. In 1969 and 1979, the state poverty rates were 22.9 and 17.6 percent, respectively. Thus, while government programs may have mitigated some of the effects of poverty on families, it is clear that they have not been successful in significantly reducing the proportion of Kentuckians who are poor.

Table 2.2 provides a breakdown of the income level of poor Kentuckians expressed as a percent of the federal poverty threshold. This table provides information about the depth of poverty in the state. **As the table shows, those whose incomes fall below the federal poverty line are not uniformly "poor."** Approximately 8.5 percent of the population (300,000 individuals) subsist on incomes less than half the federal poverty threshold.

Where are the poor in Kentucky?

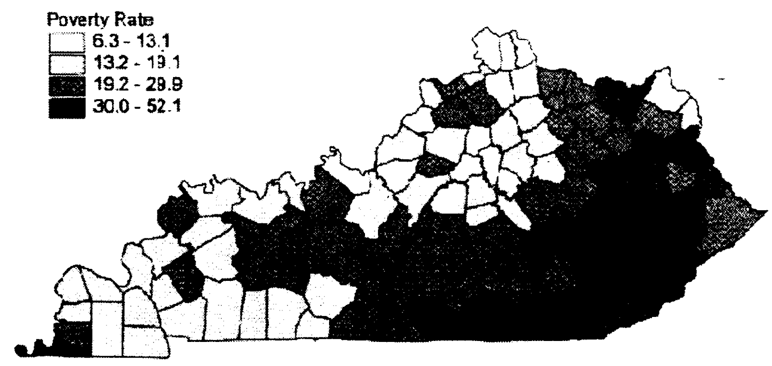
The most common geographic analysis of the poor in Kentucky is at the county level. This section begins with that traditional level of geographic analysis, but extends the analysis to incorporate Census information about poverty at the subcounty level as well.

County Analysis

Figure 2.1 classifies counties in Kentucky by ranges of poverty rates. Counties with the highest poverty rates are, with the exception of Fulton County, located exclusively in eastern Kentucky. Those with the lowest rates are found in urban areas, particularly Jefferson, Fayette, Boone, Kenton, and Campbell Counties.

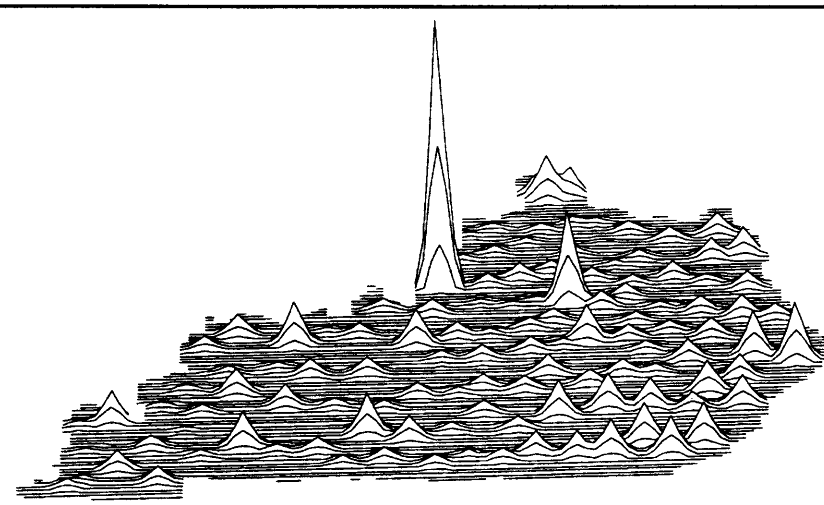
Although the county poverty rate is useful for showing the concentration of poor persons within

Figure 2.1: Range of Poverty Rates for Kentucky Counties in 1989



Source: Bureau of the Census, Summary Tape File 3A

Figure 2.2: Number of Kentuckians Living in Poverty by County, 1989



Source: Bureau of the Census, Summary Tape File 3A

a given area, it provides no indication of the number of poor in that area. Figure 2.2 illustrates the number of poor in each county. (The counties with the highest peaks have the greatest numbers of poor. The poverty rate and number of poor in each county are provided in the Appendix.) For example, the highest peak is found in Jefferson County, which has the greatest number of poor. The second-highest peak rises above Fayette County, with the second-highest number.

Table 2.3 lists the counties with the five highest poverty rates and those with the five largest numbers of poor, in order to illustrate the importance of using both measures to gain a more complete picture of county-level poverty within the state. Owsley County's poverty rate of 52.1 percent is the highest in the state, and indeed the nation. However, because the county has such a small population, this very high poverty rate represents a relatively small number — 2,570 people in poverty. Contrast this with Jefferson County, the state's most populous county. While its poverty rate of 13.7 percent is approximately one-fourth that of Owsley County, it represents nearly 90,000 people, or 30 times as many poor as in Owsley County.

While the counties with the highest poverty rates are concentrated in eastern Kentucky, the counties with the largest numbers of poor people are in urban areas. The high rates of poverty in eastern Kentucky are as much a reflection of the absence

Table 2.3
Five Kentucky Counties with the Highest Poverty Rates and Largest Numbers of Poor, 1989*

Poverty Rate				Number of Poor			
	Population*	Number of Poor	Poverty Rate		Population*	Number of Poor	Poverty Rate
1. Owsley	4,930	2,570	52.1%	1. Jefferson	653,174	89,755	13.7%
2. McCreary	15,533	7,062	45.5%	2. Fayette	213,016	30,108	14.1%
3. Wolfe	6,403	2,835	44.3%	3. Pike	71,760	18,234	25.4%
4. Magoffin	12,881	5,479	42.5%	4. Kenton	139,944	13,792	9.9%
5. Knott	17,416	7,035	40.4%	5. Floyd	43,301	13,521	31.2%

Source: U.S. Bureau of the Census

*The Census Bureau does not determine poverty status for the entire population. Excluded are institutionalized persons, persons in military group quarters, residents of college dormitories, and unrelated individuals under 15 years old. These excluded groups constitute less than 3 percent of Kentucky's population.

of the nonpoor as they are an indication of the presence of the poor. The presence of large numbers of nonpoor in urban areas tends to obscure the fact that urban counties are home to a large number of poor residents.

Targeting assistance to counties with the highest poverty rates draws assistance away from the counties where most poor people live. The use of county poverty rates "hides" those who are poor in the midst of relative affluence. A policy which targets programs to the poor, no matter who lives around them, will have a very different distribution than a policy which targets programs to the poor in counties with the highest poverty rates. Consideration should be given to whether the goal of a particular antipoverty program is to reduce the poverty rate of areas, or to change the poverty status of individuals. While the two goals are not mutually exclusive, it is important to understand that achieving the former does not necessarily achieve the latter. Indeed, the two measures can even move in opposite directions: the poverty rate of an area can fall even as the number of poor increases — if the number of nonpoor increases by a proportionately greater amount.

The geographic distribution of poverty is different for various subgroups of the poor. Poor children are more likely to be concentrated in both eastern Kentucky and in Jefferson and Fayette Counties. Approximately 138,000 of the 234,000 poor children in the state are found in urban areas. Jefferson, Fayette, Boone, Campbell, and Kenton Counties combined are home to nearly a third of the state's poor children.

Altogether there are approximately 91,000 elderly poor, and they are less likely than other subgroups of the poor to be concentrated in eastern Kentucky and urban areas, and more likely to be found in western and south-central Kentucky. Pulaski, Madison, Barren, McCracken, and Wayne Counties, in particular, have a relatively larger number of poor elderly than they have of poor children or of poor people in general.

Black Kentuckians, particularly those who are poor, reside in Jefferson, Fayette, Christian, and Hardin Counties. Of the 160,000 black Kentuckians in poverty, most (63 percent) live in these four counties. While also relatively populous, Boone, Kenton, and Campbell Counties account for only 2 percent of black Kentuckians living in poverty.

Nearly 52 percent (51,519) of female-headed families with related children under 18 in Kentucky are living in poverty. This is in contrast to 13.7 percent (57,214) and 29.9 percent (5,683) for married-couple and male-headed families, respectively. Although their greatest concentration is in urban areas, female-headed families with children under age 18 are found throughout the state. Wherever they live, they are likely to be poor.

Subcounty Analysis

To complete the Census counts each decade, the Bureau of the Census divides the country into geographic units that are smaller than counties or cities. Specifically, "block groups" are defined to be comparable in size to a large neighborhood. In the 1990 Census, the Bureau defined approximately 3,500 block groups in Kentucky, with an average of 1,044 residents per block group. The Bureau of the Census makes some of the data it collects available for these subcounty geographic areas. When this data is analyzed, patterns emerge which are different from those exhibited in the county-level analysis.

As shown earlier, analysis of county poverty rates indicates that areas with the highest concentrations of poverty are found almost exclusively in eastern Kentucky. On the other hand, if the poverty rate is shown at the block-group level, it becomes apparent that there are pockets of poverty throughout the state. The overwhelming majority of block groups (3,443) contained at least some poor persons. **Thus, while poverty rates are highest in eastern Kentucky, and while most poor people inhabit urban areas, there is really no area of the state that is unaffected by problems associated with poverty.** Antipoverty programs which target recipients on the basis of either poverty rate or the number of poor address the problems of being one of *mostly* poor or one of *many* poor, but may not address the plight of the poor who fall outside those statistically defined areas.

A *combined poverty index* addresses some of the limitations regarding the use of either the poverty rate or the number in poverty as the sole measure of poverty in an area. This index presents the over- or underrepresentation of poverty in a local area — either for all people or for some group of people — relative to the average rate of poverty for Kentucky. It is stated in terms of people: specifically, the number of people by which poverty in the area, and for the relevant group, overrepresents or underrepresents the overall state average. The combined index accounts for both the concentration (or percent) of poor and the incidence (or number) of poor.

For example, assume that a local area with a population of 1,000 has 290 people living in poverty, or a poverty rate of 29 percent. If this area had the same rate of poverty as the state as a whole (19 percent), it would have only 190 people in poverty (rather than 290) and would perfectly represent the state in terms of poverty rate. However, with 290 people in poverty, the area could be described as disproportionately poor, or overrepresented in poverty relative to the state. The combined index measures the *magnitude* of that overrepresentation by stating how many people would have to be raised above poverty for the local area's poverty rate to equal the state's. In this case, the local area is overrepresented by 100 poor people (290 minus 190); that is, if 100 *fewer* people were in poverty, the area's poverty rate would equal the state average of 19 percent. The same applies to the opposite case of underrepresentation: the index measures how many *more* people would have to be impoverished for the area's poverty rate to equal the state's.

> "Thus, while poverty rates are highest in eastern Kentucky, and while most poor people inhabit urban areas, there is really no area of the state that is unaffected by problems associated with poverty."

A set of maps was developed to display the under- and overrepresentation of the poor in each of the block groups in Kentucky. The first map (Figure 2.3) presents the index for all of Kentucky. However, because the populous areas contain so many block groups that are obscured by the scale of the full state map, separate maps are presented for Jefferson, Fayette, and the northern Kentucky counties of Kenton and Campbell as well (Figures 2.4 - 2.6).

In terms of the geographic distribution of poverty at the subcounty level, the maps reveal an important difference between urban and Appalachian poverty. Eastern Kentucky contains approximately 30 block groups in which poverty is overrepresented by at least 400 people. Jefferson, Fayette, and northern Kentucky have 20, 9, and 2 such block groups, respectively, with the same amount of overrepresentation. In particular, Jefferson and Fayette Counties have numerous small areas where poverty is extremely overrepresented — areas in close proximity to more prosperous areas. On the other hand, eastern Kentucky contains relatively few prosperous areas, as measured by the combined index. Thus, although they are similar in magnitude (according to this index), the poverty of eastern Kentucky is spread over a large geographic area and is relatively uniform, while urban poverty is concentrated in small pockets near large areas of relative affluence.

A similar analysis was conducted of the over- and underrepresentation of subgroups of the poor, by block group. The conclusion from this analysis is that poor children are more overrepresented than the general population of poor in both eastern Kentucky and in Jefferson and Fayette Counties. Conversely, the elderly poor are less overrepresented in the urban areas, and more overrepresented in south-central and western Kentucky. Black Kentuckians, and particularly those who are poor, reside primarily in Jefferson, Fayette, Christian, and Hardin Counties. Female-headed families exist across the state, but wherever they live, they are likely to be poor. Their greatest overrepresentation is in urban areas.

Finally, use of all three tools to measure poverty in Kentucky (the county poverty rate, the number of poor per county, and the combined poverty index) helps to challenge another myth about poverty in Kentucky: **the misconception that poverty occurs mostly in the eastern portion of the state. While counties in this geographic area have the highest poverty rates, the greatest number of poor Kentuckians are found in urban counties, particularly Jefferson, Fayette, Boone, Kenton, and Campbell Counties. The combined index reveals that Jefferson and Fayette Counties, taken together, account for nearly the same number of block groups overrepresented by at least 400 people in poverty as do all counties of eastern Kentucky combined.**

Who are the poor in Kentucky?

While knowing how many Kentuckians are poor and where they live aids in the design of antipoverty efforts, it is of little help in understanding why certain Kentuckians fall into, and often remain in, poverty. This section presents a brief description of the demographic characteristics of poor Kentuckians in an attempt to further such an understanding.[5]

Two assumptions guided the selection of the major groups for analysis in this section. First, the inexorable demographic changes associated with the aging of a large "baby boom" generation and the rise of a much smaller "baby bust" generation make Kentucky's economic future profoundly a matter of its children's future. A high-quality labor force of sufficient size to allow a small state like Kentucky to compete in a global labor market cannot be assured if a large number of its children must enter that market burdened with the long-term disadvantage of growing up in poverty.

Second, in considering why children are poor, it is immediately apparent that children are poor not through any action of their own, but because the adults responsible for their care do not, or cannot, obtain sufficient incomes to raise themselves and their children out of poverty. Thus, the question of why children are poor is that of why the adults responsible for them are poor. Examining the characteristics of the latter group is a major focus of the analysis. Within this group, there is particular policy interest in exploring the characteristics of the working poor.

Adults in Households with Children in Poverty

Table 2.4 summarizes some of the major demographic characteristics of adults with children in poverty. First, they are more likely to be young (19-25), female, black, and rural (non-farm) than adults living with children not in poverty. Second, according to Census data, they are more likely to live in a two-person household (one adult and one child) or in a household with 6 or more persons than is the comparison group. Third, adults with children in poverty are less likely to be in married-couple families and more likely to be female heads of households. Similarly, they are less likely to be married and more than twice as likely to be divorced, separated, or never married.

The single largest set of differences between adults with children in poverty and those with children above poverty involves reported work status. Of the adults with children in poverty, 31 percent reported that they lived in a family in which no one had worked in the previous year, compared to 1 percent in the other group of adults. Conversely, 54 percent of the adults with children *not*

Table 2.4
Characteristics of Adults in Households with Children

Characteristic	In Poverty	Not In Poverty	Characteristic	In Poverty	Not In Poverty
Age Group	**Percent**	**Percent**	**Years of School**	**Percent**	**Percent**
19 to 25	23.2	13.5	8th Grade or Less	23.1	6.4
26 to 35	37.8	35.6	Some High School, No Diploma	31.7	13.3
36 to 45	23.6	34.9	High School Graduate	32.0	38.4
45 to 65	13.2	14.3	Some College, No Degree	9.5	20.2
Over 65	2.2	1.7	College Degree	3.7	21.7
Gender			**Number of Workers in Family**		
Male	39.3	48.2	N/A (Non-Family Household)	0.7	0.01
Female	60.7	51.8	No Workers	31.4	1.3
			One Worker	43.2	25.5
Race			Two Workers	20.6	53.6
White	88.2	93.6	Three or More Workers	4.2	19.6
Black	11.1	5.4			
Other	0.7	1.0	**Worked in 1989**		
			Yes	47.5	83.5
Location			No	52.5	16.5
Urban	33.6	47.1			
Rural Farm	3.4	4.2	**Number of Weeks Worked in 1989**		
Rural Non-Farm	62.9	48.6	None	52.5	16.5
			1 to 13	11.8	4.3
Number of Persons in Household			14 to 26	9.4	5.4
2 Persons	9.5	2.7	27 to 39	6.1	6.4
3 Persons	26.2	32.6	40 to 51	7.8	16.0
4 Persons	31.0	40.2	52	12.5	51.4
5 Persons	18.9	16.7			
6 or more Persons	14.4	7.8	**Usual Hours Worked Per Week**		
			None	52.5	16.5
Number of Associated Children			1 to 20	7.2	5.9
One	34.9	48.2	21 to 39	13.0	13.7
Two	35.0	37.4	40	20.3	40.1
Three	19.6	11.3	More than 40	6.9	23.8
Four	6.9	2.3			
Five	2.3	0.6	**Worked During Previous Week**		
More than Five	1.3	0.2	Worked	33.1	72.9
			Did Not Work	66.9	27.1
Household or Family Type					
Married-Couple	63.1	88.9	**Industry When Worked Last**		
Male Householder	4.8	2.6	Did Not Work Since 1985	32.7	7.4
Female Householder	31.4	8.5	Agricultural, Forestry & Fisheries	5.3	7.9
Non-Family Household	0.7	0.0	Mining	2.2	3.3
			Construction	5.7	8.5
Marital Status			Manufacturing	10.9	16.2
Now Married	60.7	82.7	Retail Trade	16.4	24.4
Widowed	3.3	1.8	Services	17.3	25.7
Divorced or Separated	20.7	7.3	Other	9.5	6.6
Never Married	15.3	8.2			
			Occupation When Worked Last		
Relation to Householder			Did Not Work Since 1985	32.7	7.4
Householder	57.6	47.7	Sales	6.9	10.2
Spouse	28.8	40.5	Administrative Support & Clerical	4.7	7.0
Adult Child	8.0	7.7	Services	17.7	26.3
Other Relative	2.7	3.1	Agricultural	5.7	8.5
Unmarried Partner	1.9	0.8	Repair	8.3	12.3
Other Non-Relative	0.9	0.2	Machine Operators & Laborers	18.5	27.5
			Other	4.9	0.8
Attending School					
Not in School	93.5	92.1			
In School	6.5	7.9			

Source: LRC staff analysis of the 1990 Public Use Microdata Sample for Kentucky, provided by the U.S. Bureau of the Census.

Table 2.5
Percent of Full-Time Hours Worked in 1989
Adults Living with Children

Percent of Full-Time Hours Worked in 1989	Percent of All Adults With Non-Poor Children	Percent of All Adults With Poor Children	Percent of Women With Non-Poor Children	Percent of Women With Poor Children	Percent of Men With Non-Poor Children	Percent of Men With Poor Children
0 to 25 percent	23.0	67.6	35.7	77.1	9.4	52.8
26 to 50 percent	7.0	9.5	9.5	8.2	4.4	11.5
51 to 75 percent	8.4	7.0	11.1	5.8	5.4	8.8
76 to 100 percent	40.3	11.9	36.3	7.9	44.5	18.1
More than 100 percent	21.3	4.0	7.4	1.0	36.3	8.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: LRC staff analysis of the 1990 Public Use Microdata Sample for Kentucky, provided by the U.S. Bureau of the Census.

in poverty reported that 2 or more family members had worked in the previous year, compared to 21 percent of the adults with children in poverty. Even this statistic is somewhat misleading, in that it indicates whether any person in the household worked at all, even if only for a few days, in the previous year.

The interruption in work status for adults with children in poverty is highlighted by the fact that two-thirds of them reported that they had not worked the previous week, compared to 27 percent of the other group of adults.

Although 47 percent of adults living with poor children reported having worked in the previous year, only 12 percent of them reported that they worked in all 52 weeks. The corresponding percentages for the adults with nonpoor children were 84 percent and 51 percent, respectively. Overall, the differences in the amount of time worked are profound.

Since women are overrepresented in the group of adults with children in poverty, it might be assumed that a substantial amount of the disparity lies in the difference in work status between the sexes. Controlling for the gender of the respondent, however, does not greatly lessen the disparity. To simplify the comparison, a total number of work hours was calculated for each respondent by multiplying the number of weeks worked in 1989 by the usual number of hours worked per week. A person working 40 hours per week for 52 weeks works a total of 2,080 hours. This amount was divided into four equal amounts, with those working fewer than 520 hours classified as working 25 percent of full-time hours or less, and so on for 50 percent, 75 percent, and 100 percent of full-time hours. Those who worked more than 2,080 hours were classified as working more than 100 percent of full-time hours.

As Table 2.5 clearly indicates, the differences in the amount of time worked are profound, even controlling for gender. For example, 35.7 percent of women with nonpoor children worked 0 to 25 percent of full-time hours, while 77.1 percent of women with poor children worked the same amount. For men, only 9.4 percent of men with nonpoor children worked 0 to 25 percent of full-time hours, while 52.8 percent of men with poor children worked similar hours.

Table 2.6 provides the reported sources of income for adults with children in poverty. Although it is commonly believed that most poor people are on welfare, this notion is incorrect. **Only one-fourth of the adults living with children in poverty reported receiving any income from public assistance.** And the largest proportion of these adults (42%) reported receiving wages and salary as their main source of income.

While instructive for understanding *who* is poor, a summary of demographic characteristics does not answer the key question of *why* some adults do not (perhaps cannot) provide sufficient incomes to

Table 2.6
Percent of Respondents Reporting Any Income from Various Sources
Adults With Children in Poverty

Wages and Salary		Public Assistance	
None	58.2	None	74.9
$1 to $5000	24.9	$1 to $5000	23.8
$5001 to $10,000	13.4	$5000 to $10,000	1.3
More than $10,000	3.5		

Source: LRC staff analysis of the 1990 Public Use Microdata Sample for Kentucky, provided by the U.S. Bureau of the Census.

raise themselves and their children out of poverty. Demographic characteristics explained only 34 percent of the variation in family income in this sample. Education accounted for the greatest share of this variation (22 percent). Apparently, other variables relating to development, psychology, community, and welfare program restrictions must be studied in order to better answer the question of why. **Analysis which moves beyond assessment of the individual characteristics of the poor is necessary to begin to understand the community dynamics that also affect how many people will be poor and who those poor will be.**

Children in Poverty

For the purpose of this demographic analysis, "children" are defined as persons 18 years or younger. Table 2.7 summarizes the characteristics of this group. As the table shows, **most poor children in Kentucky are white, although black children are significantly overrepresented in the group.** Put another way, the poverty rate for black children is much higher than it is for white children. In terms of family characteristics, poor children are much more likely to live in households with 1 or 2 persons, or with 6 or more persons, than are nonpoor children.[6] Thirty-eight percent of poor children live in female-headed households. Fifty-one percent live in married-couple families, compared with 87 percent of nonpoor children. Seventeen percent of poor children reported not attending school as of 1989, while 12 percent of nonpoor children were not in school.

Interestingly, while the majority of adults with children in poverty live in rural areas, the majority of poor children themselves live in urban areas. The difference is accounted for by the fact that rural children are more likely to live in married-couple families that have more adults present, while urban children are more likely to live in families with a single adult, usually a woman. **Also, over half of all poor children live in families with incomes 50 percent or less of the federal poverty threshold.** Thirty percent of "nonpoor" children live in families with incomes between 100 and 200 percent of the federal poverty line. While these children may not be classified as poor, they are best described as "near-poor," since they live in families with income levels that might not withstand any disruption — such as a temporary layoff or the addition of another family member.

Forty-eight percent — nearly half — of Kentucky's children live in families with incomes 200 percent of the federal poverty level or below. Among black children, 70 percent are below 200 percent of the poverty level, and 28 percent are below 50 percent. In terms of family type, 39 percent of children in married-couple families are below 200 percent of the poverty level, and 7 percent are below 50 percent. The corresponding figures for female-headed families are 80 percent and 37 percent, respectively.

The single largest difference between poor and nonpoor children is the work status of the adults with whom they live. Thirty-one percent of all poor children live in a household where no one worked in the previous year. Only 1 percent of nonpoor children lived in a household where no one worked. Twenty-two percent of poor children lived with two nonworking parents, and 30 percent lived only with nonworking mothers. However, 27 percent of poor children lived in families with one working parent, and 3 percent lived with two working parents. The comparable figures for nonpoor children were 54 percent and 29 percent, respectively.

Table 2.7
Characteristics of Children in Poverty
(Age 18 and Under)

Characteristic	In Poverty	Not In Poverty
Age Group	**Percent**	**Percent**
5 or Under	32.8	29.0
6 to 12	37.1	38.3
13 to 15	14.2	16.7
16 to 18	15.9	15.9
Gender		
Male	51.6	51.5
Female	48.4	48.5
Race		
White	84.9	93.2
Black	14.2	5.9
Other	0.9	0.9
Location		
Urban	58.9	51.7
Rural	41.1	48.3
Number of Persons in Household		
1 Person	3.5	0.0
2 Persons	7.8	3.3
3 Persons	20.2	22.6
4 Persons	27.8	41.7
5 Persons	21.2	21.6
6 or more Persons	19.5	10.8
Household or Family Type		
Married-Couple	50.6	87.0
Male Householder	5.1	2.8
Female Householder	38.4	10.1
Non-Family Household	5.9	0.1

Characteristic	In Poverty	Not In Poverty
Attending School (Age 4-18)	**Percent**	**Percent**
Not in School	17.1	12.2
In School	82.9	87.8
Number of Workers in Family		
None	31.2	1.2
One	42.6	29.6
Two	17.4	54.5
Three or More	2.9	14.7
Not Reported	5.9	n/a
Full-Time Employment Status of Parents:		
Living with Both Parents		
Both Parents Working	3.1	29.1
Father Only Working	16.9	40.8
Mother Only Working	2.8	4.3
Neither Parent Working	22.3	5.5
Living With Father Only		
Father Working	1.2	2.2
Father Not Working	2.8	0.6
Living With Mother Only		
Mother Working	5.8	7.0
Mother Not Working	29.6	3.2
Other		
Non-Parent Household	15.5	7.3
Family Income:		
Percent of the Poverty Level		
0 to 50 Percent	55.3	0.0
51 to 100 Percent	44.7	0.0
101 to 150 Percent	0.0	14.6
151 to 200 Percent	0.0	15.7
More than 200 Percent	0.0	69.7

Source: LRC staff analysis of the 1990 Public Use Microdata Sample for Kentucky, provided by the U.S. Bureau of the Census.

Note that the comparison is for number of workers only and does not control for number of hours worked, industry, or occupation. Therefore, it seems reasonable to conclude that the key predictor of whether a child is living in poverty is the presence of at least one working adult in the family. In terms of raising children out of poverty, it appears that it is the *presence* of a worker that matters more than the quality of the work, in terms of wages or salary.

The Working Poor and Near-Poor

Policy interest has focused recently on the plight of the working poor. It is widely held that those who are expending significant effort to move their children out of poverty may have a compelling claim for assistance. However, any analysis of the "working poor" must recognize that there is no universally accepted definition of this group. There are two steps involved in defining "working poor." First, of course, one must define "poor." When some discuss the plight of the working poor, they have in mind those who work full-time, but are still unable to access the main features of "the American dream," such as home ownership, reliable transportation, and some measure of economic security. The problem with this conception is that there is no firm measure of "poor." Therefore, for the purposes of this analysis, individuals are classified as "poor" if they live in families with incomes below the federal poverty line. As noted earlier, this income is substantially below the amount most survey respondents suggest as an adequate income for a family to "get by."

The second step involves determining when an individual is working. The Bureau of the Census defines "worker" as anyone who answered "yes" to the question, "Last year [1989], did this person work, *even for a few days* (italics added), at a paid job or in a business or farm?" This is the data used to quantify the number of "workers" in a family, as discussed above. However, in defining the "working poor" for this analysis, the decision was made to refine the definition of "worker" to include only those who reported having worked at least 76 percent of full-time hours in the previous year. Note that this definition of "working" does not include those who find themselves part of the contingent labor force — either through working part-time (fewer than 30 hours a week) or intermittently (fewer than 39 weeks during the year). Contingent workers comprise an increasing share of the labor force, and are more likely than those defined as "working" in this report to have incomes below the poverty line.

When the above definitions are used, there are few Kentuckians who can be classified as "working poor." According to 1990 Census data, a relatively small percentage (15.5 percent) of adults with poor children were working more than 75 percent of full-time hours (Table 2.8). Examined from another direction, only 6 percent of adults classified as working more than 75 percent of full-time hours have family incomes at or below 100 percent of poverty. These percentages yielded a sample size too small for further analysis.

To increase the sample size, those who worked more than 75 percent of full time hours and had incomes between 100 and 200 percent of the poverty threshold were defined as the "working near poor." Therefore, for the purpose of analyzing their characteristics, adults working more than 75 percent of full-time hours *and* falling below *200 percent* of poverty are classified as the working poor and near-poor. Those working over 75 percent of full-time hours with incomes over 200 percent of poverty are designated the "working nonpoor." According to these definitions, 26 percent of working adults are classified as poor and near-poor, and 74 percent are classified as "nonpoor."

An analysis of their demographic characteristics reveals that the working poor and near-poor tend to be younger and are more often black and rural than the working "nonpoor." The working poor and near-poor are more likely to live in families of 2 persons or 5 or more persons. In addition, they are more likely to be responsible for the care of a greater number of children than the comparison group. Also, the working poor and near-poor are less likely to be in married-couple families and more than three times as likely to be in female-headed families.

In terms of educational background, the largest category of respondents in working poor and near-poor groups includes those with a high school education but no more. Persons in either group, however, are much more likely to have *less* than a high school education than the working "nonpoor." With respect to work status, the working poor and near-poor are much more likely to live in families with only one worker and much less likely to live in families with two or more workers.

Although this section discusses only a few characteristics, **an examination of all the characteristics of working poor and near-poor Kentuckians reveals that having a job is the single most important characteristic of adults in determining whether their families live above or below poverty — regardless of the income from that job or the number of hours worked.** When considering the situation of those who work more than 75 percent of full-time hours, however, it is clear that the number of children in the family, the number of workers in the family, and the income from the job all have a significant effect on whether that family earns an income above 200 percent of poverty or whether they remain officially out of poverty, but at risk of falling into it.

How are the poor changing?

Several important demographic trends relating to total population changes and to various subgroups of the poor have occurred in Kentucky. In reference to the total population, Table 2.9 lists

Table 2.8
Characteristics of Adults Who Worked More than 75 Percent of Full-Time Hours

Characteristic	200% of Poverty or Less	More than 200% of Poverty
Age Group	**Percent**	**Percent**
19 to 25	17.9	8.7
26 to 35	45.2	35.2
36 to 45	27.1	41.2
46 to 65	9.6	14.6
Over 65	0.3	0.2
Gender		
Male	60.1	59.3
Female	39.9	40.7
Race		
White	89.8	94.5
Black	9.2	4.7
Other	1.1	0.7
Location		
Urban	60.6	49.4
Rural	39.4	50.6
Number of Persons in Household		
2 Persons	7.2	2.4
3 Persons	26.9	36.3
4 Persons	36.1	41.3
5 Persons	19.3	14.3
6 or more Persons	10.5	5.7
Number of Associated Children		
One	36.1	50.8
Two	39.6	37.6
Three	17.6	9.7
Four	4.7	1.6
Five or More	2.0	0.3
Household or Family Type		
Married-Couple	75.9	91.5
Male Householder	4.6	2.2
Female Householder	19.5	6.3

Characteristic	200% of Poverty or Less	More than 200% of Poverty
Years of School	**Percent**	**Percent**
8th Grade or Less	9.8	3.1
Some High School, No Diploma	21.9	9.0
High School Graduate	44.7	36.9
Some College, No Degree	16.0	21.4
College Degree	7.5	29.6
Number of Workers in Family		
One Worker	42.7	14.3
Two Workers	47.2	62.6
Three or More Workers	9.8	23.0
Worked During Previous Week		
Worked	85.1	92.3
Did Not Work	14.9	7.7
Percent of Full-Time Hours Worked		
76 to 99 Percent	19.5	10.9
100 Percent	58.0	56.9
More than 100 Percent	22.5	32.2
Industry When Last Worked		
Agricultural, Forestry & Fisheries	4.8	2.0
Mining	3.0	3.8
Construction	9.6	6.1
Manufacturing	20.8	23.2
Retail Trade	18.3	11.8
Services	22.3	27.4
Other	21.2	25.7
Occupation When Last Worked		
Sales	8.5	9.8
Administrative Support & Clerical	10.4	14.7
Services	16.4	7.2
Agricultural	5.2	1.8
Skilled Trades	19.1	19.0
Machine Operators & Laborers	29.1	19.4
Managerial & Professional	9.7	27.7
Other	1.6	0.4

Source: LRC staff analysis of the 1990 Public Use Microdata Sample for Kentucky, provided by the U.S. Bureau of the Census.

the number of Kentuckians in various subgroups in 30-year increments since 1900. As the table shows, the long-term trend in Kentucky (as in the U.S.) is that the number of young has declined both in absolute number and relative to other age groups, while the number of elderly has done just the opposite.

In 1979 the number of related children under 18 years old in Kentucky was 1,063,000. By 1989 that number had declined by 12 percent to 938,000. According to population projections by the Kentucky Data Center, this trend is expected to continue at least through the year 2020.

While the total number of youth is on the decline in Kentucky, the percentage of children who are poor is growing. According to Census data, the poverty rate for the subgroup of related children under age 18 in the state was 24.8 percent (229,530 children) in 1989. This is 4.9 percentage points greater than the comparable national rate for the same year, and 3.2 percentage points greater than the 1979 rate for Kentucky.

Table 2.9
Kentucky Population

Year	Age						Total
	0-14		15-64		65+		
	Number	Percent	Number	Percent	Number	Percent	
1900	809,000	37.7	1,254,000	58.4	77,000	3.6	2,140,000
1930	889,000	34.0	1,582,000	60.5	142,000	5.4	2,613,000
1960	979,000	32.2	1,766,000	58.1	292,000	9.6	3,037,000
1990	794,838	21.6	2,425,459	65.8	464,999	12.6	3,685,296
2020	704,559	17.9	2,566,548	65.3	728,000	16.9	4,313,000

Source: Kentucky Data Center (1993)

Table 2.10
Poverty Status of Related Children Under 18 Years Old and Families with Related Children Under 18 in Kentucky, 1979 and 1989

	1979	1989	Change	% Change
Related Children Under 18 Years Old				
Total	1,063,118	938,325	(124,793)	-12%
Above Poverty	833,296	708,795	(124,501)	-15%
Below Poverty	229,822	229,530	(292)	0%
Poverty Rate	21.6%	24.5%	2.8%	
Families with Female Householder, No Spouse Present, with Children				
Total	80,969	99,403	18,434	23%
Above Poverty	43,750	47,884	4,134	9%
Below Poverty	37,219	51,519	14,300	38%
Poverty Rate	46.0%	51.8%	5.9%	
All Other Families with Children				
Total	471,301	436,161	(35,140)	-7%
Above Poverty	409,667	373,264	(36,403)	-9%
Below Poverty	61,634	62,897	1,263	2%
Poverty Rate	13.1%	14.4%	1.3%	

Source: U.S. Bureau of the Census, 1990 Census Summary Tape File 3A, *Detailed Characteristics of the Population, Kentucky* (1980 Census)

What accounts for the rise in the percentage of children who are poor? From Table 2.10, note that the increase in the poverty rate among children between 1979 and 1989 occurred in tandem with a slight decrease in the number of children in poverty. This is because there was a much greater decline in the number of nonpoor children relative to the decline in the number of poor children. Several factors could lead to this situation: birth rates could be higher for those below poverty; children previously classified as above poverty could have moved into poverty; and families with children above poverty could have moved out of the state at a greater rate than those below poverty.

The total number of families (with or without children under 18) increased by 4 percent between 1979 and 1989, while those classified as below poverty increased by 14 percent, compared to 2 percent for families classified as above poverty. This stronger growth in the number of families below poverty could also be due to several factors: families could be forming at a greater rate below poverty; families previously classified as above poverty could have fallen into poverty; and families above poverty could have moved out of the state at a greater rate than those below poverty.

Note that the previous two references to time-series Census data limit the possible reasons for change to three factors: creation of families, change in classification of families from above to below poverty, and migration of families. While the change attributable to migration can be measured somewhat through the use of available Census data, the remaining two (creation and change in classification) are not measurable because the Bureau of the Census does not track particular individuals or families over time. Consequently, it is difficult to say which is the predominant cause of the observed changes.

In the case of Kentucky's elderly, their numbers are on the rise. According to Table 2.9, in 1960 there were 292,000 elderly, comprising 9.6 percent of the total population. This number grew to 464,999 in 1990 (12.6 percent of the total). Based on Kentucky Data Center population projections, Kentucky will have over 650,000 elderly in 2020 (16.7 percent of the total). The 1989 state poverty rate for the elderly was 20.6 percent. Although this represents a 2.7 percentage-point decline from 1979, Kentucky's poverty rate for the elderly still remains well above the national average of 12 percent for this group.

Conclusion

The foregoing chapter presented a brief description of poverty in Kentucky. Included was a discussion of how many poor there are, where they live, who they are, and how their numbers have changed over time. The attempt was to provide information that goes beyond a simple presentation of the poverty rate by county and a summary of numbers of people in various categories. Disaggregation of the numbers by subcounty regions and examination of the characteristics of individuals and families who are poor allowed for a more complete picture of poverty in Kentucky. The benefit of a more complete picture is that it helps challenge some common misconceptions about the nature of poverty in the state. Such misconceptions are the focus of the following chapter.

ENDNOTES

[1] *Chapter 1 is based largely on a review of data from the 1990 Census performed by the LRC Staff Economists' Office. For a more extensive discussion of the demographic characteristics of poor Kentuckians, see* Poverty in Kentucky: A Detailed Look at the 1990 Census Data *(1994).*

[2] *In May 1995, a committee of experts selected by the National Academy of Sciences recommended that the federal definition be changed to include disposable income. For a brief discussion, see "Measuring Poverty: A New Approach," in* Focus *17: 1 (Summer 1995), pp. 2-14.*

[3] *William P. O'Hare,* Poverty in America: Trends and Patterns *(Washington, DC: Population Reference Bureau, 1989), pp. 6-7.*

[4] *Ibid, p. 7.*

[5] *Some characteristics of each subgroup have been omitted, and certain subgroups have been omitted entirely. Please refer to the report cited in footnote 1 for further information.*

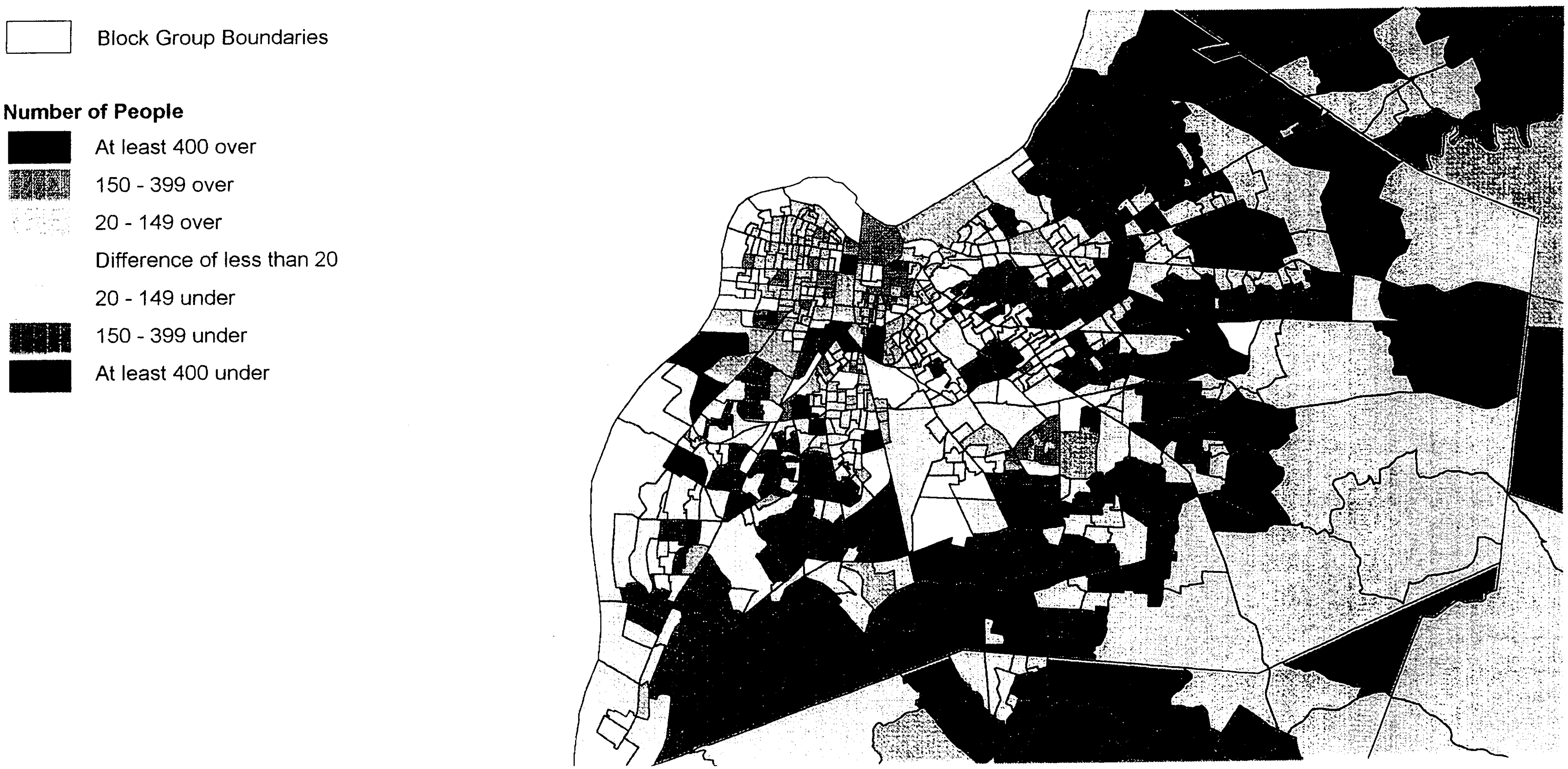
[6] *Note that "a child living in a 1-person household" means that the child is living alone. Most of these "children" are 16-18 years old and are presumably responsible for supporting themselves.*

Figure 2.3
General Population
Over- or Underrepresentation in Poverty
Relative to the State Poverty Rate (19%)
By Census Block Group
Kentucky, 1989

Block Groups without color denote that a poverty rate for the area was not calculated due to the absence of people for whom poverty status was determined.

Source: Bureau of the Census, Summary Tape File 3A.

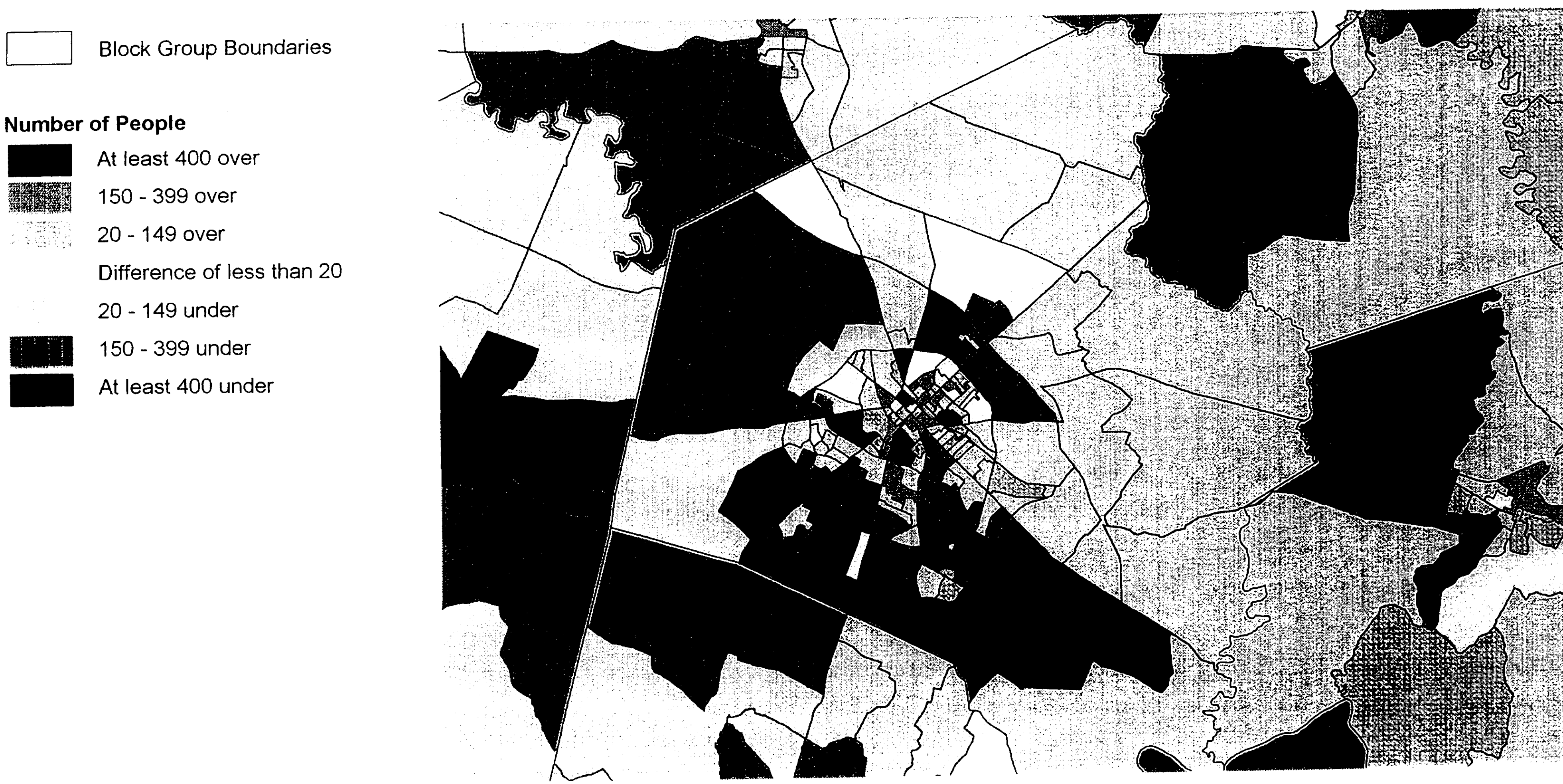
Figure 2.4
General Population
Over- or Underrepresentation in Poverty
Relative to the State Poverty Rate (19%)
By Census Block Group
Jefferson County, 1989



Block Groups without color denote that a poverty rate for the area was not calculated due to the absence of people for whom poverty status was determined.

Source: Bureau of the Census, Summary Tape File 3A.

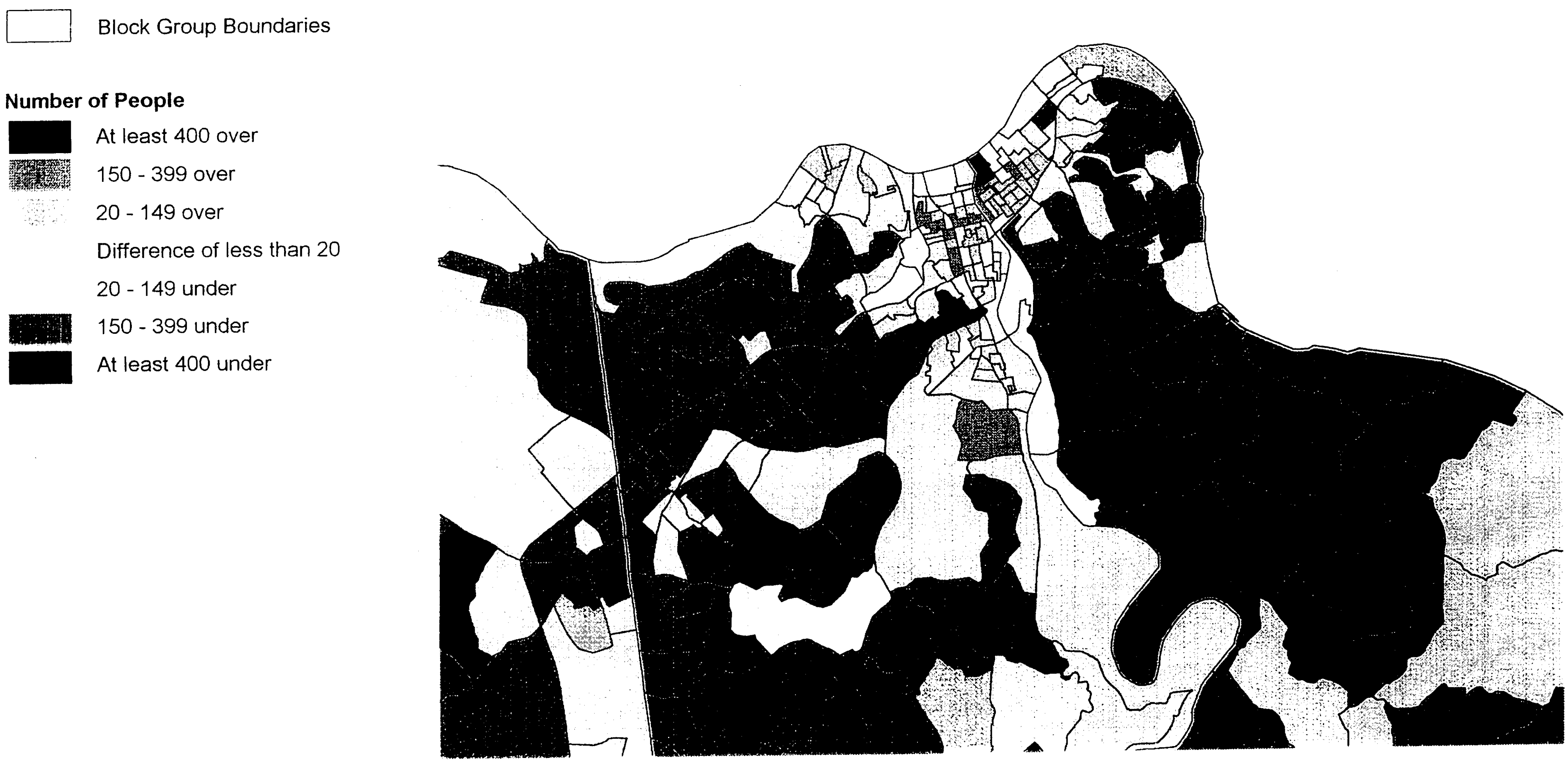
Figure 2.5
General Population
Over- or Underrepresentation in Poverty
Relative to the State Poverty Rate (19%)
By Census Block Group
Fayette County, 1989



Block Groups without color denote that a poverty rate for the area was not calculated due to the absence of people for whom poverty status was determined.

Source: Bureau of the Census, Summary Tape File 3A.

Figure 2.6
General Population
Over- or Underrepresentation in Poverty
Relative to the State Poverty Rate (19%)
By Census Block Group
Northern Kentucky, 1989



Block Groups without color denote that a poverty rate for the area was not calculated due to the absence of people for whom poverty status was determined.

Source: Bureau of the Census, Summary Tape File 3A.

CHAPTER III

MYTHS AND REALITY: SOME MISCONCEPTIONS AND FACTS ABOUT POVERTY IN KENTUCKY

During several of its meetings, the Commission heard testimony from many citizens who currently live in poverty and many who have received public assistance in the past. Most were alarmed at the number of myths about the poor that presently pervade public discourse about welfare reform. For example, while those receiving government assistance are often considered "lazy," AFDC recipients who testified before the Commission expressed a strong willingness to work, but reported that they either could not find a job with "livable" wages or could not find a job at all. Drawing largely on the demographic data presented in the previous chapter, this chapter reviews and challenges some common myths, both about the measurement of poverty in Kentucky and about the individuals who are poor.

Misconceptions about Measuring Poverty in Kentucky

Even before discussing the characteristics of the poor in Kentucky, it is important to understand that the definition and measurement of poverty is a complex issue with serious policy consequences. Too frequently, policy decisions reflect an over-reliance on measures of poverty which give an incomplete description of the poor.

Myth: The county poverty rate is an adequate measure of poverty in Kentucky.

FINDING: The county poverty rate tends to highlight areas with large proportions of poor people among small populations. Use of the poverty rate as the sole measure of poverty obscures the fact that many poor live in counties that are also home to a larger number of nonpoor. Reliance on the county poverty rate alone to allocate government resources implies that the poor who live among other poor are of greater concern than the poor who live amid relative affluence.

Myth: Poverty in Kentucky mostly occurs in eastern Kentucky.

FINDING: If the number of poor in each county is considered, then it is clear that the greatest numbers of poor Kentuckians are found in the urban counties, particularly Jefferson, Fayette, Boone, Kenton, and Campbell Counties. At the subcounty (or block-group) level, small areas of concentrated poverty exist throughout the state. A measure of poverty which reflects both the poverty rate and the number of poor in small areas indicates that Jefferson and Fayette Counties, together, account for the same number of block groups with an overrepresentation of at least 400 people in poverty as do all of the counties of eastern Kentucky combined. (See Chapter II.)

Myth: The federal poverty line is a complete definition of who is poor.

FINDING: As defined by the Bureau of the Census, the federal poverty line is a useful, but limited, definition of poverty. This guideline has been criticized as both an underestimate and an overestimate of poverty. The value of the federal poverty line, however, lies in its being the only widely available measure of poverty which is consistent across time, consistent across geographic areas and available at a relatively disaggregated level. In terms of understanding the demographic and geographic characteristics of the poor in Kentucky, no superior measure is available. It should be understood, however, that having an income below the federal poverty line does not fully qualify individuals for poverty programs. Other eligibility criteria come into play in determining which low-income individuals receive government assistance. So it should not be assumed that the characteristics of the poor, as defined by the federal poverty line, are the same as the characteristics of those who receive government assistance.

Myth: Data about poverty are easy to interpret.

FINDING: Like the problem of poverty itself, federal poverty data are complex and sometimes difficult to interpret. For example, the statistic that 47 percent of the poor own (or are buying) their own homes, while accurate, is easily misinterpreted without further examination. First, it might be of interest to know that 31 percent of poor homeowners are elderly. While assets such as a home could be converted into income, state policymakers have generally been unwilling to force the elderly out of their homes as a qualification for government assistance. Of those poor homeowners who are younger than 65, the median home value is less than $20,000, and nearly one-third of the homes owned are mobile homes. For the poor who are paying a mortgage, the median monthly payment is $187, compared to the median monthly rental payment of $245 for the poor who are renters. Thus, the conclusion that home ownership statistics indicate that poverty is overestimated is likely a misinterpretation of the data.

Misconceptions about the Poor in Kentucky

Common misconceptions persist regarding those people living in poverty as well. Policies which are based on such misconceptions are less likely to assist the poor in moving out of poverty than policies which more accurately reflect their true circumstances.

Myth: The poor are the same everywhere in Kentucky and have the same problems.

FINDING: The characteristics of the poor vary among regions of the state. The poor in eastern Kentucky are more likely to be adults, more likely to be living in married-couple families, and less likely to have a high school diploma than the poor in general. The poor in urban areas are more likely to have a high school diploma and more likely to be black than the poor in general. The elderly poor tend to be overrepresented in south-central and far-western Kentucky. Also, the poor are not uniformly poor and, in many cases, not substantially different from the near-poor. Over half of all poor children live in families with incomes 50 percent of the poverty line or below, and nearly half of *all* children in Kentucky live in families with incomes 200 percent of the poverty line or below. It is likely that the problems facing each of these subgroups are different.

Myth: Being poor is essentially a function of characteristics which individuals can change.

FINDING: Research indicates that poverty is strongly associated with characteristics that individuals cannot change, such as race, gender, and age. While programs designed to help individuals change characteristics that are alterable, such as educational attainment or work-preparedness, can affect the prospects of poor individuals, such programs alone may not significantly affect the way poverty is distributed among the population.

Myth: Poverty programs are only those which give direct assistance to the poor.

FINDING: State programs other than poverty programs can also be categorized as antipoverty programs. Poverty is a multifaceted problem which requires a multi-level policy response. Programs that merely target the characteristics of individuals in poverty are unlikely to fully succeed, since individual demographic characteristics were shown to account for only 34 percent of the variation in family income. At some point, the ability of the local economy to provide jobs will determine the number of people who have them. However, it is clear that jobs and income are not distributed on a random basis and that the characteristics of individuals determine their share of the distribution. It is also clear that jobs and income are distributed partly on the basis of characteristics that individuals cannot change—such as race and sex.

Additionally, poverty has been shown to be cyclical—those poor as children are more likely to be poor as adults and to raise poor children of their own. Also, poverty is associated with such problems as crime and drug abuse, which exacerbate the problems of the poor and impinge negatively on the nonpoor as well. Therefore, it is believed that policy responses to poverty can include programs besides those which provide direct assistance to the poor. Examples are those which target economic development efforts; those which reduce the effects of poverty on children; those which affect the distribution of jobs and income on the basis of characteristics which individuals cannot change (race, gender, and age); and those which attempt to address problems associated with poverty (such as crime and substance abuse).

Myth: Adding jobs in a community will inevitably help the poor individuals in that community.

FINDING: While the addition of jobs in a community may act to reduce the community's poverty rate, it is not necessarily true that the addition of jobs will likewise reduce the number of poor individuals in that community. If the new jobs are taken by in-migrants to the community, then the situation of the individual poor will remain unchanged. Analysis of the 1990 Census data indicated that people who moved within Kentucky and across state borders had significantly more education and were much more likely to have worked in the previous year than people who had not moved. Therefore, it is not unreasonable to expect that those who have more marketable work skills might be drawn to an area where new jobs were being created. Those already living in an area who are poor may not have the education or skills to compete with in-migrants, and may therefore be unable to benefit from the economic growth of the community.

Myth: Most poor families are poor because they have many children.

FINDING: Nearly 70 percent of adults living with poor children live in families with one or two children and 90 percent live in families with three or fewer children. Thus, large families account for a very small percentage of poor families in Kentucky.

Myth: Most poor children live with only one parent.

FINDING: Over half (51%) of poor children live in married-couple families. This is significantly less, however, than the proportion of nonpoor children (87%).

Myth: Most poor children are rural.

FINDING: Nearly 60 percent of poor children are urban. This is a significantly greater proportion than among nonpoor children, of whom 52 percent are urban. This is also in contrast to the adults who live with poor children, only 34 percent of whom are urban.

Myth: Most poor people are on welfare.

FINDING: Only one fourth of the adults living with children in poverty reported receiving any income from public assistance, according to the 1990 Census. The source of income reported by the largest proportion of these adults was wages and salary (42%).

Myth: In all family situations, the adult poor are more likely to be women than men.

FINDING: Poor adults *without* children are no more likely to be women than men. In contrast, 61 percent of the poor adults *with* children are women. This would appear to indicate that the overrepresentation of women in poverty is at least partly explained by the fact that they are more likely than men to be single adults bearing responsibility for children in a family. Another fact which can partially explain the overrepresentation of women in poverty is that 72 percent of the poor elderly are women. Thus, among women, being poor is more likely to be associated with having children or being elderly.

Myth: There are many working poor.

FINDING: Only 33,000, or 6 percent, of adults who work more than 75 percent of full-time annual hours live in families with incomes below the poverty level. Larger family size was a common characteristic of many in this group. For most adults, the ability to find and keep a full-time job was sufficient to keep a family above the federal poverty line.

Myth: A summary of demographic characteristics is sufficient to explain why people are poor.

FINDING: A summary of demographic characteristics is instructive in showing *who* is poor, but is not sufficient to explain *why* certain individuals are poor. Together, the set of demographic variables available from the 1990 Census explained only 34 percent of the variation in family income. Analysis which incorporates additional data, both on the non-demographic characteristics of individuals and on the characteristics of the communities in which they live, is necessary to begin to understand why particular individuals, in particular situations, appear to be unable to obtain adequate financial resources.

CHAPTER IV

WOMEN IN POVERTY: THEIR UNIQUE PROBLEMS MEN IN POVERTY: THEIR UNMET NEEDS

It became apparent to the Commission on Poverty early in its inquiries that poor women experience their own unique set of problems in overcoming poverty. These include: low earning capacity and the absence of economies of scale, low levels of public assistance benefits (AFDC benefits in particular), inadequate and irregular child support payments, and the lack of affordable child care and health care. Equally soon, the Commission became aware of the fact that current government programs do not fully address several major needs of impoverished men.

Admittedly, some of the difficulties observed by the Commission are not entirely limited to one gender. Many of them, however, are more frequently experienced by females than males, and vice versa. Rural women in poverty also encounter a unique set of barriers to self-sufficiency. These problems are the subject of this chapter.

Women in Poverty

Poor, single mothers are especially disadvantaged, since their child-rearing responsibility can easily result in economic and social hardships for their families. *Low-earnings capacity* and the *absence of economies of scale* are common problems associated with single mother families. As Irwin Garfinkel and Sara McLanahan explain, these families experience greater economic difficulty, since only the mother is able to work and care for her children, unlike a two-parent family in which both parents are usually able to share these responsibilities and pool their earnings.[1] The absence of an economy of scale is worsened by the continuing wage gap between female and male workers. "Although the wage gap among full-time workers narrowed during the 1980s, women still earn only 69 percent as much as men ... "[2]

The low level of support provided by public assistance programs is an additional problem. According to Garfinkel and McLanahan, "Most single mothers must be poor in order to qualify for government benefits" offered by programs such as Aid to Families with Dependent Children, Food Stamps, Medicaid and public housing.[3] These programs are means-tested and, as some argue, provide a disincentive to work by removing benefits as a recipient draws income from employment.[4] Instead of choosing to work (and risk losing all government benefits), the recipient continues drawing benefits which do not lift the family out of poverty.[5] Garfinkel and McLanahan describe the single mother's dilemma:

> **In effect, single mothers with low earnings capacity are forced to choose between (1) working full time, living at or near the poverty line, possibly going without medical care, and having no time for their children; and (2) not working, living below the poverty line, having Medicaid, and having time with their children.[6]**

Kentucky's AFDC Program gradually reduces benefits (when a recipient finds employment) under what is known as the "ratable reduction" system. The full payment for which the recipient originally qualified is continued during the first 4 months of employment. The recipient will receive reduced cash payments over the next 8 months. As a recipient's earnings from employment increase, cash benefits will be totally withdrawn, but the individual may still be eligible for food stamps and Medical Assistance for up to one year. Although this system works for the one-year period, for many it fails in the long run. (See Chapter 5 for a discussion of the state's AFDC Program, with recommendations.)

Another problem involves the *absence of child-support payments.* "Only six of ten mothers potentially eligible for child support actually have such an award. Of those who have an award, only half receive the full amount to which they are entitled, and over a quarter receive nothing."[7] According to the Division of Child Support Enforcement in the Cabinet for Human Resources, payments from an average of slightly less than 46,000 reported cases of child support are collected each month in Kentucky, at an average payment of $235.[8] In FY 94, $129.3 million in child support payments was collected through the state's system.[9] (Private payments, made outside of the state's collection system, are not reported.)[10]

While on its face, $129 million in child support is an impressive figure, it pales in significance when compared with the $818 million, accumulated since 1976, which should have been collected, but wasn't. In fairness to the Commonwealth's efforts, it should be pointed out that of the $129 million collected in FY 94, $101 million represented current year support, and only $151 million of the uncollected amount was for current year payments.[11] (In FY 95, Kentucky collected a total of $140.1 million in child support payments,[12] of which $108.9 million was for the current year. Uncollected payments for the same year totaled $130.5 million.)

Child support collection figures are broken out between support due AFDC recipients, which, when collected, is used to reimburse the AFDC Program, and child support due non-AFDC recipients. In FY 95, 47.9 percent of current year non AFDC child support was collected, compared with the 40.7 percent collection rate of current year support for AFDC recipients.[13] Whether the lower collection figures for AFDC recipients is the result of the economic situation of the AFDC recipient's debtor, or, as some observers suggest, because of the diminished incentive on the part of non-custodial parent to pay, or the failure of the custodial parent to do their part in enforcing collection, due to the diversion of the payments for AFDC reimbursement, is an interesting, but unanswered, question. In either event, Kentucky's AFDC child support collection efforts compare favorably with those of the other states. In 1993 Kentucky recovered 20 percent of AFDC money through child support collections, compared to the national average of 12 percent.[14]

A single mother whose income was just above the AFDC threshold shared her experience with the Commission:

> **Logically, a woman can take her ex-husband to court if he does not pay support. But, of course, that takes money — something which is often very scarce. This was the case in my situation. My ex-husband has joint custody. He is not paying child support because I could not afford a lawyer for an expensive court battle.**

Legal services for the collection of child support are available for non-AFDC recipients on a sliding fee scale, with a maximum cost of $25. Additionally, most courts now provide Pro-Se packets for the individual wishing to receive relief through the courts without intervention of an attorney. Obviously, the mother mentioned above had not been informed of the low-cost, legal remedies available to her.

A divorced mother complained that she had not received a child support payment in more than 2-1/2 years, even though the court has had her case before it for the entire time. She said that although her husband is more than $7,000 in arrears in his payments, he can't be touched because the judge has not made a decision yet on what he actually owes now. She went on to say that:

> **There's also one lady that has a child that's 18. She's never received a penny of child support. She's had to fight and fight and she still hasn't received any, because you can't get a judgment through the courts. I was told by the county attorney that there were 80 cases of flagrant non-support dismissed in December, 1994—just tossed aside. We keep hearing how Kentucky is getting on dead-beat dads. How do you get tough with them if the judge won't make the decisions?**

The dilemma of single mothers is exacerbated by the *lack of affordable child care and health care.* Under Kentucky's AFDC Program, a mother participating in the JOBS Program (Job Opportunities and Basic Skills) is given a child care allowance averaging $243 per month, and child care assistance is also available to AFDC recipients who are employed. Once AFDC payments are terminated, the mother is eligible to participate in the Transitional Child Care Assistance Program offered by the Department for Social Services. This program offers assistance to former AFDC recipients on a sliding scale wherein the department pays a percentage of the parent's total child care cost after her income is considered. After one year of participation in the Transitional Child Care Assistance Program, a single mother who meets income eligibility requirements can receive child care assistance through an At-Risk Child Care Program. Otherwise, the mother must seek help from non-profit organizations or shoulder the entire cost on her own.

Many citizens explained that this allowance was not sufficient to offset the high cost of child care. A social worker and former AFDC recipient testified that: "Child care is very expensive. Single parents cannot afford child care. Infants are almost $100 a week even with a good paying job." An Executive Director of a United Way agency in northern Kentucky explained that parents are often unable to afford this care when they are no longer eligible for transitional child care assistance:

> Many citizens explained that this allowance was not sufficient to offset the high cost of child care. A social worker and former AFDC recipient stated: "Child care is very expensive. Single parents cannot afford child care. Infants are almost $100 a week even with a good paying job."

> **What happens after one year of being on transitional child care? You then go into the pot with everybody else who's low income, trying to get a little help with child care, and we do not have enough money in the state to kind of help people with a little bit of child care help. I want to be very clear on that.**

This situation becomes even more complicated since many businesses in Kentucky do not subsidize the creation of on-site and near-site child care facilities. According to a comprehensive list of employer-supported child care services compiled by the CHR's Child Care Services Staff in 1993, only 38 businesses provided these services.[15] Assuming this list is still valid, it seems as though relatively few businesses financially support the development and operation of child care services for dependents of their employees.

Single-mother families also experience difficulty in obtaining affordable health insurance, unless they are eligible for Medicaid. Although recipients may keep their Medicaid coverage for one year after their AFDC benefits are revoked (under the Transitional Medical Assistance Program discussed in Chapter 5), they must shoulder the cost of insurance thereafter, unless they are eligible for assistance under Medicaid provisions providing coverage to low-income women and children born after September 30, 1983. Even though insurance companies in Kentucky may no longer refuse to insure any citizen, the cost of coverage remains prohibitive for many indigent Kentuckians, including single-mother families.

A principal case worker specialist with the Department for Medicaid Services, recounted the story of a rural woman who had no insurance and refused to seek treatment because of the financial strain which a hospital visit would place on her marriage. The woman's husband was unemployed and could not afford to pay for medical services. According to the case worker specialist, the woman sought treatment one year after experiencing initial symptoms and eventually died. She stated:

> **(The woman) had an incurable disease, that possibly could have been treated had she been treated at least one year prior to this admission. But because of the humiliation of going through the bureaucracy of local hospitals and hospitals in other towns, she didn't want to go and say 'I don't have anything to pay and can't pay,' so she suffered and died. This is happening more often than we know.**

The Commission also gained a sensitivity to the plight of the impoverished in rural areas of Kentucky, especially women. According to Ann Tickamyer and colleagues,[16] "... Whereas female-headed family poverty growth stalled in the 1980s in metro areas, growth has continued in nonmetro areas, leaving one-in-four of white families and one-in-two of African-American families in poverty." Further, the number of single-mother families in poverty in rural areas has not decreased despite increases in the number of rural women entering the workforce.[17] Tickamyer and colleagues also discuss problems unique to rural women, including the concept of "double jeopardy." "In rural areas, a woman's vulnerability to poverty is compounded by the double jeopardy of more restricted labor market opportunities with jobs that pay subpoverty wages .... In addition, she is also likely to receive subpoverty level welfare benefits ...."[18] This problem is further exacerbated since rural women are less likely to benefit from human capital investments and more likely to be underemployed or unemployed.[19] And if that were not enough, in-migration of the poor from urban areas further strains the dwindling amount of welfare funds available for rural women in poverty.[20]

A field services supervisor in Whitesburg, Kentucky's Department for Social Insurance informed the Commission that rural public assistance recipients who participate in the JOBS Program often experience underemployment and unemployment. She described the training of one individual who learned skills unrelated to the job which the person eventually received:

> **Her training was that she worked like secretarial training. We have people that work in our office that learn typing skills and computer skills. What her job ended up being is that she is a monitor on a bus. She was happy to do it.**

She went on to say that:

> **... Many of our people who work in fast food restaurants, grocery stores, gas stations, and as janitors, cooks, and even as school bus drivers, qualify for our food stamp program. Most of our jobs are minimum wage jobs. Many of our clients may have a job and still be on the welfare role. Most of the times that is the situation.**

Irwin Garfinkel and Sara McLanahan argue that the incidence and economic deprivation of mother-only families raises important policy implications:

> **More than half of the current generation of children will live with a single mother before reaching age eighteen, and many of these children will spend their entire childhood with a mother who is single .... About half of [the children in mother-only families] live in families with incomes below the poverty level, and nearly three-quarters live in families with incomes less than 1.75 times the poverty line.[21]**

The well-being of these children and their mothers should be a major concern for citizens and policymakers.[22]

There were 7.2 million single-mother families in the U.S. in 1993.[23] In Kentucky, 18.8 percent of all children live with a single parent.[24] As Figure 4.1 illustrates, this proportion has risen steadily from 11.6 percent in 1970 to 14.3 percent in 1980.[25] Also, one half of single-mother families, 28 percent of single-father families, and 14 percent of all two-parent families in Kentucky were in poverty in 1990.[26] Clearly, separate discussion of single-mother families is warranted because of their high percentage of all families in Kentucky and their influence on the lives of many children.

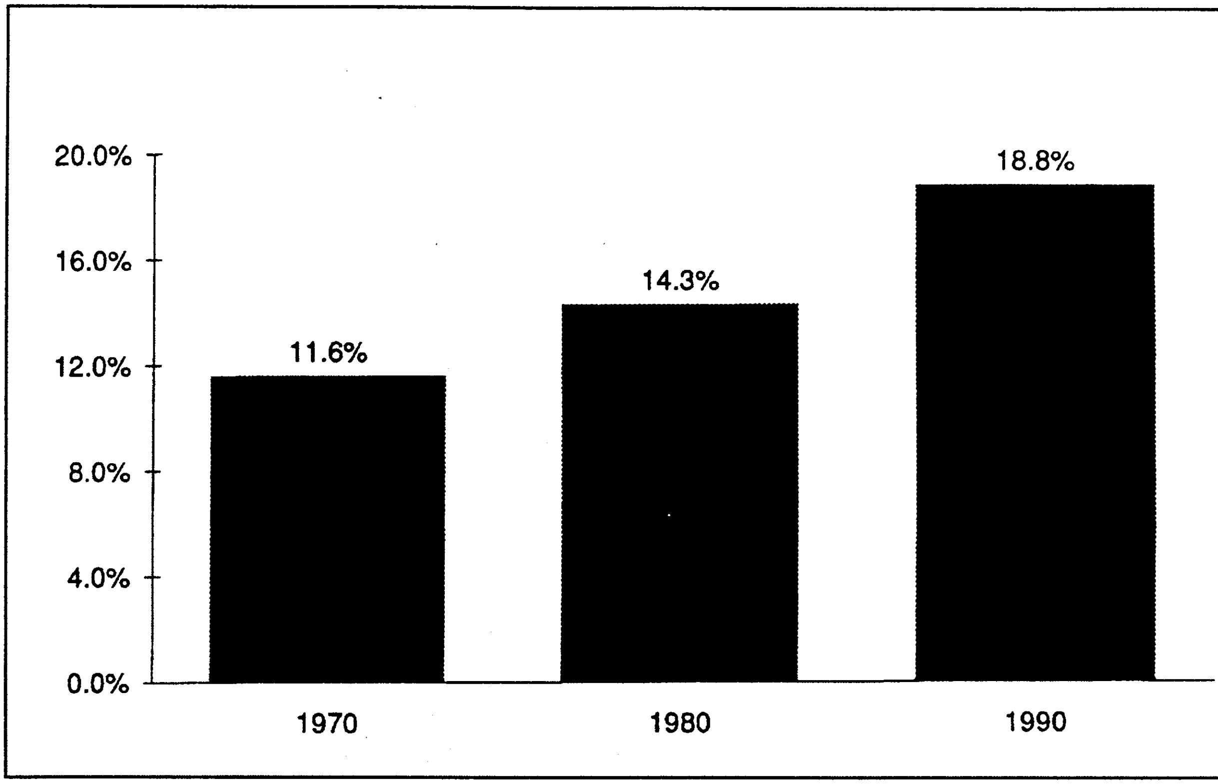
RECOMMENDATION 4.1: That the General Assembly enact legislation requiring the forfeiture of professional licenses by delinquent payers of child support.

Kentucky law currently allows the forfeiture of a driver's license for parents who are delinquent in their child support payments.[27] Kentucky law also provides for the incarceration of parents who are "flagrant" in their nonpayment of child support.[28] Another weapon added by other states, but absent from Kentucky's arsenal of child support enforcement efforts, has been the taking of any state-issued professional license from delinquent payers of child support. While the numbers of persons affected by this provision would be relatively small, the Commission feels that any step to help in the collection effort should be taken.

RECOMMENDATION 4.2: That the General Assembly enact legislation to create and fund an automated central registry to track new hiring and match employment records with child support obligations.

One of the problems in successful child support is the tracking of delinquent parents as they move from job to job. Under current law, Kentucky can garnishee the debtor's wages; however, the first step in the process is to identify the delinquent parent's current employer. Many parents avoid their child support obligations by frequent employment moves.

Figure 4.1
Kentucky Children Living with Single Parent



Source: Kentucky Youth Advocates and Kentucky KIDS COUNT Consortium, *County Data Book 1994*

RECOMMENDATION 4.3: That the General Assembly direct the Administrative Office of the Courts to annually publish data fully disclosing the disposition of child support cases in each of the state's district and circuit courts, with copies to the Governor, Legislative Research Commission and Kentucky Commission on Women.

The Commission believes that a disclosure of effort by individual courts to enforce the collection of child support payments would assist state government in the development of policy, and would assist citizens in the selection of judges.

RECOMMENDATION 4.4: That the General Assembly enact legislation to create a tax credit or a grant for employers who provide child care services for dependents of their employees.

Kentucky, through various programs, subsidizes the child care expenses of approximately 27,000 children.[29] As reported in the 1993 *Child Care Policy Report On The Status of Child Care in Kentucky*, another 10,000 children remained on a waiting list, and countless others failed to register when the waiting list was frozen in August, 1993.[30]

The Federal Child Care and Development Block Grant, Kentucky's largest child care subsidy program, served 5,300 children per month in 1993, at an average cost of $176 per child.[31] At that rate, service to the 10,000 children on the state's waiting list would cost $21 million per year.[32]

According to LRC staff analysis, the states of California, Connecticut, Florida, Kansas, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Montana, New Mexico, Ohio, Oregon, Pennsylvania, Rhode Island, and South Carolina offer incentives for employers to provide child care services for dependents of their employees. All but one of the states mentioned offer a tax credit as the inducement; Florida offers a cash grant.

The amount of the incentives ranges from 15 percent to 50 percent of the costs incurred in establishing a program, the expenses incurred in annual operation of the facility, or amounts paid to an independent facility patronized by the business' employees. The most frequent reimbursement is 50 percent of the costs or expenses incurred. Most, but not all, of the states limit the amount reimbursed to the employer in each category of expense, especially the expense incurred in the annual operation of the facility.

Two states, Maine and Pennsylvania, base the tax credit on only those expenses incurred in providing child care for dependents of employees who are present or former AFDC recipients. Rhode Island allows a credit for expense incurred in purchasing day care services for dependent adult family members, as well as dependent children, of employees. Rhode Island also extends the credit to taxpayers who provide adult or child day care service to employees of their commercial tenants.

Placing a ceiling on the reimbursement an individual employer can receive, and limiting qualifying expenses to those incurred in behalf of AFDC recipients, is discouraged by the Child Care Action Campaign. In the case of caps for individual employers, the Campaign argues that "... ceilings may discourage the participation of the very employers the reimbursement is intended to attract."[33] The Campaign claims that reimbursing only AFDC recipients based expenses "... can unintentionally reward employers who pay low wages over employers who offer economic opportunity and upward mobility."[34]

The Commission favors utilization of a grant, rather than a tax credit, as the form of incentive. A grant has two major advantages over a tax credit. It lends itself more to an annual limit on the program costs through a line-item appropriation, and actual program costs are easily tracked. The Commission recommends reimbursement at a rate of 50 percent of costs, and suggests a minimum appropriation of $750,000 for the first year of the 1996-98 biennium, and $1.5 million for the second year.

RECOMMENDATION 4.5: That the General Assembly direct the Office of Employee Benefits (Chapter VI, Recommendation 10) to develop a campaign to "market" the child care expense reimbursement program and the advantages of employer-assisted child care.

The success of a state-subsidized, employer-assisted child care program will depend largely upon employers' familiarity with the program, and their perception of the benefits occurring from furnishing child care to their employees. California distributed 3,700 booklets and 13,200 posters, and purchased ads in major regional and national business magazines extolling the virtues of its child care tax credit program, all within the first year of the program, and still found that few employers knew about the availability of the credits.[35]

Reduced absenteeism, lower job turnover, recruitment advantage, improved morale, and enhanced corporate image are advantages experienced by businesses which provide child care to their employees. Yet only a few businesses have chosen to do so. A child care grant program will not only reduce the financial burden experienced by business, but will serve as a vehicle to educate the business community in the benefits of child care.

RECOMMENDATION 4.6: That the General Assembly direct the Office of Employee Benefits (Chapter VI, Recommendation 10) to develop a campaign to "market" the advantages of employer-subsidized health care.

Many of the advantages accruing to businesses which fund child care programs will also be realized by those businesses which provide health care to their employees. Lower job turnover, recruitment advantage, improved morale, and enhanced corporate image are benefits which business can expect from an employer-assisted health care program. The marketing of health care would be an exercise compatible with the marketing of employer-assisted child care.

Men in Poverty

The Commission observed that current government programs do not fully address three major needs of men in poverty: *guidance in obtaining academic or vocational education, an explanation of services available through the JOBS Program or the Job Training Partnership Act (JTPA),* and *employment counseling.* The statements of poor males who attended the Commission's public hearings point to this problem. An unemployed father explained that the absence of training or experience was a major barrier to employment in his life. According to him, the jobs in his area require training which he was unable to obtain because he received no information about the availability of vocational education. He stated:

> **I went to the new lumber company that they're going to open up, ... and they're not doing any hiring right now. But if they do hiring, you have to have so much experience. But where are you going to get the experience to work in there?**

A public assistance recipient mentioned his difficulty in finding long-term job training:

> **There's nothing for job training for people who are on the street. You go through a course through the HR and try to get you a job, but that quits when you go to that for maybe 4 weeks, just to keep your food stamps. After that's over with, there's no long-term job training programs out there.**

Poor women who are mothers automatically receive education counseling as part of the AFDC/JOBS program compact. Impoverished men normally do not participate in public assistance programs which require them to attend education programs, nor apparently are they advised of available education programs when they do come into contact with the welfare system.

Some citizens attending the Commission's hearing were unaware that non-custodial parents, usually males, may be eligible to participate in JTPA-funded programs administered by the Workforce Development Cabinet. In addition, the JOBS Program Coordinator in the Department for Adult Education and Literacy explained that non-custodial parents may take part in the Adult Basic Education component (ABE) of the JOBS Program if they are receiving some form of public assistance.[36] He conceded that many public assistance recipients may be unaware of this fact, but mentioned that caseworkers are required to relay this information to all such recipients.[37] The Commissioner of the Department for Social Insurance also conceded that social workers could probably do a better job of informing recipients about such government programs as the JOBS Program. The Commission also observed that there is no program currently in effect to advise parents who are under court or administrative order to pay child support of the services for which they may be eligible under the ABE/JOBS Program or the JTPA.

RECOMMENDATION 4.7: That the Cabinet for Human Resources insure that all persons receiving any form of public assistance are advised of their eligibility to participate in the Adult Basic Education component of the JOBS Program, and that the cabinet institute a program to notify all persons under court or administrative order to pay child support of the eligibility requirements and services available under ABE/JOBS and JTPA.

The Adult Basic Education component (ABE) of the JOBS Program provides instruction in basic academic and life skills. Participants may enroll in the program to obtain a GED certification, or just to "brush up" on their "three r's." Counseling on post-secondary education for which the participant is qualified, and information about financial assistance to attend vocational schools or institutions of higher education are integral parts of JOBS. While documentation, attested to by the public assistance recipient, that the recipient has received a full explanation of his rights to participate in the JOBS Program, and the benefits accruing therefrom, is a requirement for receiving any form of public assistance, apparently the current process does not fully ensure the client's full understanding of the available supportive services.

RECOMMENDATION 4.8: That the Cabinet for Human Resources require all parents, other than the severely physically and mentally handicapped, who receive some form of public assistance other than AFDC, to undergo instruction in parenting and life skills available under the Adult Basic Education component of the JOBS Program.

The Commission believes many parents who receive public assistance and are not required to participate in the JOBS Program would benefit significantly from training in parenting and life skills, particularly food and money management. Mandatory participation in an instruction program would guarantee education in these areas.

Common Problems

Commission members identified two major problems common to both men and women in poverty: *transportation* and *tax burden*. Transportation to workplaces or post-secondary education facilities can be troublesome for residents of both urban and rural areas. Public transportation systems may not be advanced enough to accommodate residents in such geographically diverse areas as those in eastern Kentucky. Consequently, transportation is for them a barrier to finding and maintaining employment and pursuing an education. A field services supervisor in the Department for Social Insurance mentioned that one of her Whitesburg clients experienced this problem:

> **Another thing which she will tell you next**

> **.... She's gone as far as she can go here at our local college. You can just get an Associate's. In order to go on for two more years, she would have to go to Pikeville or Hazard, and that's frustrating because of her job transportation problem. Transportation is the barrier.**

Transportation to places of employment even in urban areas, where sophisticated public transportation systems are in place, can be a problem because of routes or schedules which are not "user friendly." A Louisville citizen complained that low income persons working for enterprise zone-certified businesses often experience difficulty in finding public transportation to their places of employment.

RECOMMENDATION 4.9: That the General Assembly develop and fund a program to provide grants to public transportation companies, including regional rural systems operated by nonprofit organizations, such as Community Action Agencies, or to local units of government, including area development districts, to survey the transportation needs of their citizen clients to places of work or education, and to develop routes and schedules to meet those needs.

Public transportation companies apparently need encouragement to develop routes and schedules to accommodate the employment and education transportation needs of their clients. In areas where public transportation is limited or unavailable, governmental agencies need to plan for transportation systems which would meet the needs of their citizens. A grant program, providing moneys for a one-time process of survey and planning, could serve as the catalyst.

RECOMMENDATION 4.10: That the General Assembly direct the Office of Employee Benefits (Chapter VI, Recommendation 10) to develop a campaign to "market" the advantages of employer-assisted transportation.

As in the case of employer-provided child care and health care, discussed earlier in this chapter, employer-assisted transportation could pay significant dividends. The marketing of transportation facilities could well dovetail with the marketing of employer-assisted health care and child care.

The effect of Kentucky's individual income tax on the poor was a topic of interest to Commission members. Although it did not take testimony on this issue, the Commission did gather information from outside sources about some of the regressive aspects of the system. According to Carol Cohen and Richard May, in 1994 Kentucky had the sixth lowest income-tax threshold (the level at which the state may require these families to pay a tax on their income) for single-parent families of three ($5,000), making Kentucky one of 22 states which tax such families *below the poverty line.*[38] The 1994 threshold for two-parent families of four in Kentucky was the fourth lowest ($5,000), also making Kentucky one of 24 states that tax such families *below the poverty line.*[39] Further, in 1994 Kentucky levied the highest tax ($449) on two-parent families of four with incomes at the poverty line.[40]

Kentucky currently offers a low-income individual income tax credit that varies with income. Families may receive a full tax credit if their income is less than $5,000, a 50-percent credit if their income is less than $10,000, a 25-percent credit at less than $15,000, a 15-percent credit at less than $20,000, and a 5-percent credit at less than $25,000. The Commission determined that raising the tax-credit schedule would help ease the burden on the state's most vulnerable families.

RECOMMENDATION 4.11: That the General Assembly adjust the state's low-income tax credit schedule to ease the burden on Kentucky's most vulnerable families. Specifically, a full tax credit should be granted to families with incomes of $7,500 or less, a 50-percent credit to families with incomes less than $15,000, a 25-percent credit to families with incomes less than $20,000, a 15-percent credit to families with incomes less than $25,000, and a 5-percent credit to families with incomes less than $30,000.

ENDNOTES

[1] *Irwin Garfinkel and Sara McLanahan, "Single-Mother Families, Economic Insecurity, and Government Policy," in* Confronting Poverty: Prescriptions for Change, *ed. Sheldon H. Danziger, Gary D. Sandefur, and Daniel H. Weinberg (New York: Russell Sage Foundation, 1994), p. 207.*

[2] *Ibid.*

[3] *Ibid, p. 208.*

[4] *Ibid.*

[5] *Ibid.*

[6] *Ibid, pp. 208-209.*

[7] *Ibid, p. 208.*

[8] *Telephone conversation with Gerald Gilpin, Assistant Director of the Division of Child Support Enforcement, Cabinet for Human Resources, 5 December 1995.*

[9] *Ibid.*

[10] *Ibid.*

[11] *Letter from Commissioner John Clayton, Frankfort, KY, 29 November 1995.*

[12] *Ibid.*

[13] *Facsimile from Diane Allen, Department for Social Services, Cabinet for Human Resources, 22 September 1995.*

[14] *Facsimile from Steve Veno, Department for Child Support Enforcement, Cabinet for Human Resources, 5 September 1995.*

[15] *Telephone conversation with Sue Martin, Child Care Services staff member, Cabinet for Human Resources, 14 August 1995. According to Martin, the Office of Child Care Services stopped maintaining this list in 1993.*

[16] *Ann Tickamyer, Janet Bokemeier, Shelly Feldman, Rosalind Harris, John Paul Jones, and DeeAnn Wenk, "Women and Persistent Rural Poverty," in* Persistent Poverty in Rural America, *ed. Forrest A. Deseran (Boulder, CO: Westview Press, 1993), p. 202. Here, the authors have substituted "nonmetropolitan" for "rural," and "metropolitan" for "urban."*

[17] *Ibid, p. 206.*

[18] *Ibid, pp. 213-214.*

[19] *Ibid, p. 219.*

[20] *Ibid, p. 223.*

[21] *Irwin Garfinkel and Sara McLanahan, "Single-Mother Families, Economic Insecurity, and Government Policy," in* Confronting Poverty: Prescriptions for Change *ed. Sheldon H. Danziger, Gary D. Sandefur, and Daniel H. Weinberg (New York: Russell Sage Foundation, 1994), pp. 205-206.*

[22] *Ibid, p. 205.*

[23] *National Advisory Committee of the Center on Hunger, Poverty, and Nutrition Policy,* Statement on Key Welfare Reform Issues: The Empirical Evidence *(Medford, MA: Tufts University, 1995), p. 19.*

[24] *Kentucky KIDS COUNT Consortium,* Kentucky's Children County Data Book *(Louisville, KY: Kentucky Youth Advocates, 1994), p. 14.*

[25] *Ibid.*

[26] *Ibid.*

[27] *See KRS 186.570.*

[28] *See KRS 530.050.*

[29] *Child Care Policy Council,* Child Care Policy Council Report on the Status of Child Care in Kentucky, *1993, p. 4.*

[30] *Ibid, p. 5.*

[31] *Ibid, p. 4*

[32] *Ibid.*

[33] *Child Care Action Campaign.* Employer Tax Credits for Child Care: Asset or Liability? *New York: 1989, p. 19.*

[34] *Ibid.*

[35] *Child Development Advisory Committee,* Impact of Employer Child Care Tax Credits on Employer Supported Child Care *(Sacramento, CA: State of California, 1990), p. 1.*

[36] *Telephone conversation with Sherman Bowman, JOBS Program Coordinator, Department for Adult Education and Literacy, 2 October 1995.*

[37] *Ibid.*

[38] *Carol E. Cohen and Richard B. May,* State Income Tax Burdens on Low-Income Families and Opportunities for Relief *(Washington, D.C.: Center on Budget and Policy Priorities, 1995), p. 7.*

[39] *Ibid, p. 8.*

[40] *Ibid, p. 11.*

CHAPTER V

SELF-SUFFICIENCY AND KENTUCKY'S AFDC, JOBS, AND MEDICAID PROGRAMS

From time to time, for a variety of reasons, some of the Commonwealth's citizens will find themselves in need of temporary financial assistance. The numbers will vary from year to year, and the length of need will vary from circumstance to circumstance, but each year a number of the state's residents need help. Not unexpectedly, the same holds true in all of the states in the nation. In response to the plight of the economically distressed, the federal government developed programs to aid in the transition from need to self-sufficiency, and offered their use to the states in return for their financial participation. The largest and most important of these programs, measured by numbers of dollars expended and numbers of people served, are Aid to Families with Dependent Children (AFDC), Job Opportunities and Basic Skills (JOBS), and Medical Assistance (Medicaid).

Aid to Families with Dependent Children (AFDC)

AFDC, a joint federal-state program, was created by the Social Security Act of 1935 and offers cash payments to families that meet certain requirements.[1] AFDC in Kentucky is a two-part program, each part covering a different set of recipients. Single parent families, by far the largest recipient group, receive aid under the "basic" AFDC program; families with two parents are normally covered under Aid to Families with Dependent Children - Unemployed Parents (AFDC-UP), although two-parent families with one or both parents incapacitated or disabled may receive aid under the Basic-AFDC Program.

Deprivation of parental support for the children in the household is the primary test applied in determining eligibility for either of the AFDC programs. "Deprivation" may result from a number of factors, including the death, unemployment or disability of a parent, or abandonment by a parent. Other criteria are applied if initial eligibility is determined, the most important of which involves the family's income and resources.[2]

A family's income must fall below two different benchmarks in order for the family to qualify for assistance. The benchmarks are termed the "Gross Income Limit" and the "Standard of Need." Both amounts are based upon family size.

Standard of need is a subsistence level of income calculated individually by each state. Families with incomes under the gross limit are allowed certain deductions to arrive at an income amount for comparison with the Standard of Need. The deductions are applied and the comparison is made through an "Applicant Eligibility Test."

If the family's income is within both amounts, the family receives a monthly cash payment. The amount of payment depends upon the family's "countable" income, but no matter what its income, the family will not receive more than a Maximum Benefit established by state law. In Kentucky, the Maximum Benefit has always been an amount lower than the Standard of Need, and is dictated, more often than not, by budget considerations, rather than a relationship with the Standard of Need or the federal poverty level. Table 5.1 illustrates the income, standard of need, and cash-payment limits for AFDC recipients in Kentucky.

Families eligible for AFDC under the income guidelines must also meet a resource test. Countable family resources must be less than $1,000, including money in savings or checking accounts, stocks and bonds, and real property, exclusive of the family's home. Furniture and other items necessary for everyday living are excluded, as well as the first $1,500 of value owned in a car.

Basic AFDC families may only have one of the parents living in the household, except for those cases where one or both parents is (are) considered incapacitated or disabled. Under AFDC-UP guidelines, the parents may remain together in the household, but must meet employment criteria not applicable to the Basic AFDC grant recipient.

At present, thirty percent of AFDC funding (Basic grants and UP) comes from Kentucky resources, while the remaining 70 percent is supplied by the federal government.[3] In FY 1995, Kentucky's AFDC budget was $209.2 million, while total expenditures were approximately $188.3 million, some $21 million less than the amount allocated for that year.[4] An official from the Kentucky Legal Services Program explained that this occurrence is part of a trend in which expenditures have been "under-budget" for the last three years. Figure 5.1 illustrates this trend.

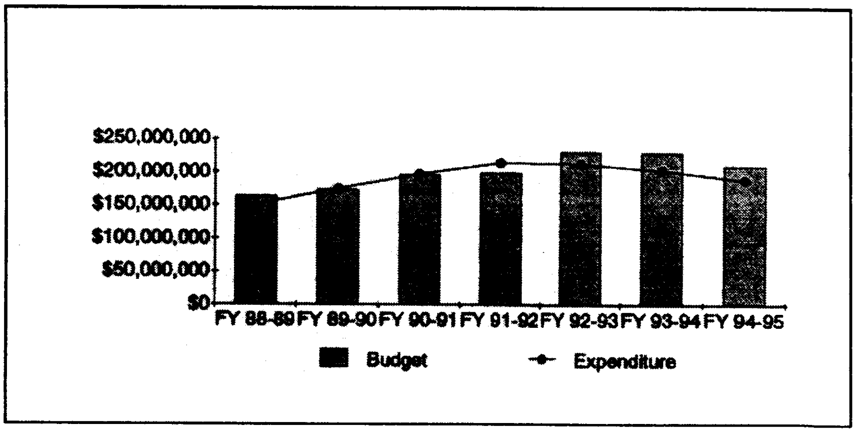
Table 5.1
1995 Monthly Gross Income Limits, Standard of Need, and Maximum Monthly Payments in Kentucky's AFDC Program

Family Size	Monthly Gross Income Limit	Standard of Need	Maximum Monthly Payment
1	$729	$394	$162
2	$851	$460	$196
3	$974	$526	$228
4	$1096	$592	$285
5	$1218	$658	$333
6	$1340	$724	$376
7 or more	$1462	$790	$419

Source: Department for Social Insurance, Cabinet for Human Resources (1995)

Table 5.2 shows the actual enacted AFDC budget and expenditure dollars for the last several years. Department for Social Insurance records disclose that in FY 1995, there was an average of 76,436 cases dealt with per month, with an average of 193,848 persons served.[5] Cash payments totaled approximately $188.2 million during the same year.[6] In August 1995, there was an average of 72,956 AFDC cases, with 180,921 recipients.[7] Cash payments for the same month came to approximately $14.7 million.[8]

Figure 5.1
Kentucky's AFDC Costs: Budget vs. Expenditures from 1989 through 1995



A number of AFDC "realities" are illustrated in Figure 5.2. First, the population of AFDC-Basic recipients has declined over the last three years. Second, it is clear that most recipients are children. Third, the number of adults and the number of children reached their peak in 1992, with 63,634 of the former and 127,761 of the latter. These figures dropped to 56,412 and 120,852, respectively, in FY 1995. And perhaps the most important fact is that the total population of AFDC-Basic recipients remained relatively stable between 1991 and 1995. This population reached a high of 191,395 in 1991 and a low of 177,264 in 1995.

Although it is commonly believed that welfare payments have grown substantially, there has been a decline of 10.8 percent in the average monthly welfare grant in Kentucky over the last five years.[9] In July 1989, the average basic grant was $230.73, while in August 1995, the average was $199.95.[10] Also, contrary to the stereotypical image of welfare families with large numbers of children, "the average number of recipient children in Kentucky AFDC households remained stable between 1987 and 1994, at 1.8 children per family."[11] This figure is slightly smaller today. In FY 1995, the average number of recipient children was 1.7 per family.[12]

Job Opportunities and Basic Skills Program (JOBS)

Under the Family Support Act of 1988, states are required to provide education and training programs for those receiving AFDC.[13] Kentucky requires its AFDC recipients to participate in the Job Opportunities and Basic Skills Program, which offers experiences in secondary and postsecondary

Table 5.2
Kentucky's AFDC Costs: Budget vs. Expenditures from 1989 through 1995

State Fiscal Year	Enacted Budget	Total Expenditures*
FY 1988-89	$163,000,000	$150,292,800
FY 1989-90	$172,973,000	$174,992,700
FY 1990-91	$196,206,400	$197,213,400
FY 1991-92	$198,887,500	$213,773,500
FY 1992-93	$230,281,300	$213,089,600
FY 1993-94	$241,795,400	$202,514,924
FY 1994-95	$209,219,000	$188,271,200

Source: Office of Kentucky Legal Services Programs and the Department for Social Insurance, Cabinet for Human Resources (1995)

*** Does not include administrative expenditures.**

education, literacy, job skills, and "life skills," including: parenting, decision-making, communication skills, (such as interviewing and résumé writing), wellness, and consumer issues.[14] This program also provides case management and assistance with child care, transportation, and other support service needs, such as eyeglasses, uniforms, school supplies, and work equipment.[15] The ultimate goal is for participants to gain employment at a level at which they will be financially independent.

Over 13,000 people participated in all components of this program during FFY 1995, of which approximately 5,000 participated in the literacy, Adult Basic Education, GED, and high school components.[16] According to the JOBS Program Coordinator in the Department for Adult Education and Literacy, the latter components of this program are serving just over half of the target population in need of skills training.[17] He also stated that he did not know the number of JOBS participants who actually gained employment upon completing the program, since data collection of this sort is difficult, due to migration and failure of participants to report their employment status.[18]

AFDC recipients must participate in JOBS unless they meet certain federal exemption criteria. One such criterion involves the age of the child; mothers in poverty who have a child under the age of 3 are not required to participate, except teen parents, whose participation is mandatory regardless of their child's age. Those who participate in JOBS receive expense allowances for child care and transportation. A household will receive, on average, $243 per month for child care and $52 a month ($3 per program day) for transportation.

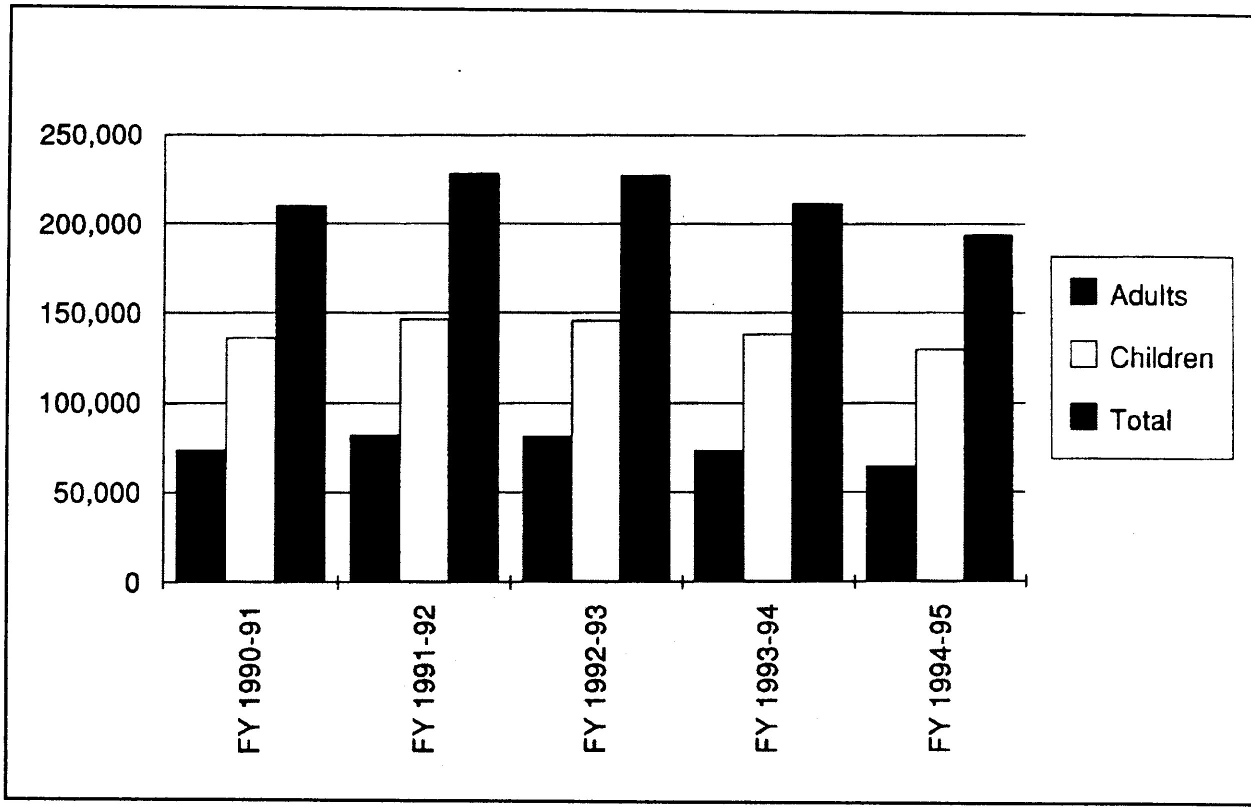
Making the Transition to Employment

When an AFDC recipient finds a job, benefits are gradually withdrawn from the recipient, under a "ratable reduction" formula. This formula allows the Cabinet for Human Resources' Department for Social Insurance to calculate benefits based on a ratio of the difference between a household's countable income and the designated standard of need for the household's size.[19] Specifically, public assistance benefits are calculated by multiplying this difference by .55.[20] Even if this calculation results in an amount larger than the Maximum Benefit level for a family, the family's cash payment can never exceed this limit.[21]

Families which no longer qualify for AFDC are automatically considered for medical assistance for up to one year under the Transitional Medical Assistance Program. As stated in the previous chapter, families may also receive some cash assistance for child care expenses for up to one year, if they meet certain income criteria under the Transitional Child Care Program.

Table 5.3 details the public assistance benefits given to a family of three. Specifically, it illustrates how these benefits change when members of the household participate in the JOBS Program, and when they have secured employment. For example, a family of three (in which the parent is not employed) is eligible for $228 in monthly cash payments, $275 in monthly food stamp allotments,

Figure 5.2
Changes in the Population of Adults and Children in Kentucky's AFDC-Basic Program from 1991 through 1995



Source: LRC staff analysis of information provided by the Department for Social Insurance, Cabinet for Human Resources.

and Medicaid coverage. Assuming that the parent is not exempt from participation in the JOBS Program, his or her family would receive a monthly child care allowance averaging $243 and an average monthly transportation allowance of $52. Further, the same family might be eligible for a housing subsidy.

As indicated by the table, benefit levels change for the same family when the parent starts to work full-time. For example, if the parent works 40 hours a week at an hourly wage of $5.50, his or her family is eligible for $149 in cash payments, $160 in food stamps, and Medicaid coverage. A deduction from income is made for child care costs, and beginning in December 1995, direct child care payments will be made to child care providers on behalf of eligible households. Transportation costs are included in a work expense standard deduction. After the first four months of the parent's employment, the caseworker responsible for the family will apply the ratable-reduction formula to the family's income and assets. Gradually, benefits are withdrawn, including Medicaid coverage. Once AFDC payments have been discontinued, the family is eligible to receive all forthcoming child support payments.

Medicaid

Another joint federal-state program, Medicaid, was created under an amendment to the Social Security Act of 1935.[22] It pays for certain medical services rendered to eligible individuals and families by health care providers who have entered into an agreement with the CHR's Department for Medicaid Services. For every 30 cents Kentucky allocates to this program, the federal government donates 70 cents. The Medicaid budget for SFY 1995 was approximately $2 billion, of which almost $1.5 billion came from the federal government.[23] Medicaid expenditures for the same year totaled approximately $1.97 billion (excluding disproportionate share payments).[24]

Although the Department for Medicaid Services does not calculate the annual number of Medic-

Table 5.3
Welfare to Work in Kentucky: Public Assistance Benefits for a Family of Three at Various Wage Levels During the Transition to Self-Sufficiency

Wages	AFDC	Food Stamps	Medical Assistance†	Child Care	Transportation	Total	Other
$0 (not in JOBS)	$228	$313	$317	$0	$0	$858 = $4.95 per hour for 40 hour week	Some families may be eligible for housing subsidies.
$0 (participating in JOBS)	$228	$313	$317	$243	$52	$1153 = $6.66 per hour for 40 hour week	
$4.25 Hourly/ 40 Hours Weekly ($737 monthly)	$228 (first 4 months)	$199	$317	$165	$0	$1646 = $9.50 per hour for 40 hour week	AFDC recipients receive the first $50 of child support collected (or the obligation amount if it is less than $50).
	$114 (next 8 months)	$234	$317	$114	$0	$1516 = $8.75 per hour for 40 hour week	
	$98 (ongoing) Time-limited deductions are removed.	$241	$317	$98 (deduction from income in AFDC)	$0	$1491 = $8.61 per hour for 40 hour week	

Table 5.3
Welfare to Work in Kentucky: Public Assistance Benefits for a Family of Three at Various Wage Levels During the Transition to Self-Sufficiency (continued)

$5.50 Hourly/ 40 Hours Weekly ($953 monthly)	**$149 (first 4 months)**	**$171**	**$317**	**$149 (deduction)**	**$0**	**$1739 = $10.04 per hour for 40 week**	**When AFDC is discontinued, the child support obligation will be sent to the family when payments are received. The family will continue to receive child support enforcement services.**
	$0 (after 4 months) **Client is ineligible after time-limited deductions are removed.**	**$218**	**After AFDC is discontinued, family may be eligible for Medical Assistance for up to 12 months; children's eligibility is ongoing.**	**$306‡**	**$0**	**$1794 = $10.36 per hour for 40 hour week or $1171 = $6.76 per hour for 40 hour week if transitional medical and child care are not received.**	
$5.75 Hourly/ 40 Hours Weekly ($997 monthly)	**$0 (Income exceeds the gross income limit.)**	**$251**		**$306‡**	**$0**	**$1871 = $10.80 per hour for 40 hour week or $1248 = $7.20 per hour for 40 hour week if transitional medical and child care are not received.**	

Source: Department for Social Insurance, Cabinet for Human Resources (1995)

† Average Monthly Utilization

‡ If eligible for transitional child care payments for up to 12 months.

aid recipients, monthly summaries are available. Officials in this department believe that figures from January 1995 (the most recent month for which data are available) are fairly representative of the true monthly average of persons served by this program each fiscal year.[25] These figures indicate that 537,499 persons participated.[26] There were roughly equal proportions of adults (51.1 percent) and children (48.9 percent).[27] Total expenditures (excluding disproportionate share payments) in January 1995 were approximately $153 million.[28]

Table 5.4
1995 Monthly Income and Resource Limits in Kentucky's Medicaid Program

Family Size	Monthly Income Limit	Resource Limit
1	$217	$2,000
2	$267	$4,000
3	$308	$4,050
4	$383	$4,100
5	$450†	$4,150‡

Source: Department of Medicaid Services, Cabinet for Human Resources

† For each additional family member, add $60 to the monthly income amount.

‡ Add $50 to this amount for each additional family member.

Not surprisingly, the Medicaid Program has a myriad of eligibility, income, and resource requirements. Generally, pregnant women, dependent children under 18, elderly persons (65 and older), the blind, and those who have a total and permanent disability may qualify, if income and resource tests based on family size are met. Those who receive AFDC, Supplemental Security Income (SSI) or State Supplementation are eligible for Medicaid benefits. Examples of "resources," for the purpose of the Medicaid Program, include checking and savings accounts, cash on hand, and stocks and bonds. Table 5.4 provides a breakdown of the income and resource limits for this program.[29]

Some Barriers to Self-Sufficiency

The Commission identified several barriers to self-sufficiency in Kentucky's AFDC, JOBS and Medicaid programs. First is a lack of communication, or sometimes miscommunication, between social workers and clients. Many public assistance recipients explained that they were not fully informed of their options, were given confusing instructions, or were not told of any options at all. A former AFDC recipient said, "They (caseworkers) don't tell you anything about a transportation check. You have to ask about everything. If you don't ask, you won't get it." Another citizen, a Whitesburg minister, echoed this sentiment by stating, "Sometimes, I think that people are not getting what they are supposed to get because they fail to know what they can get."

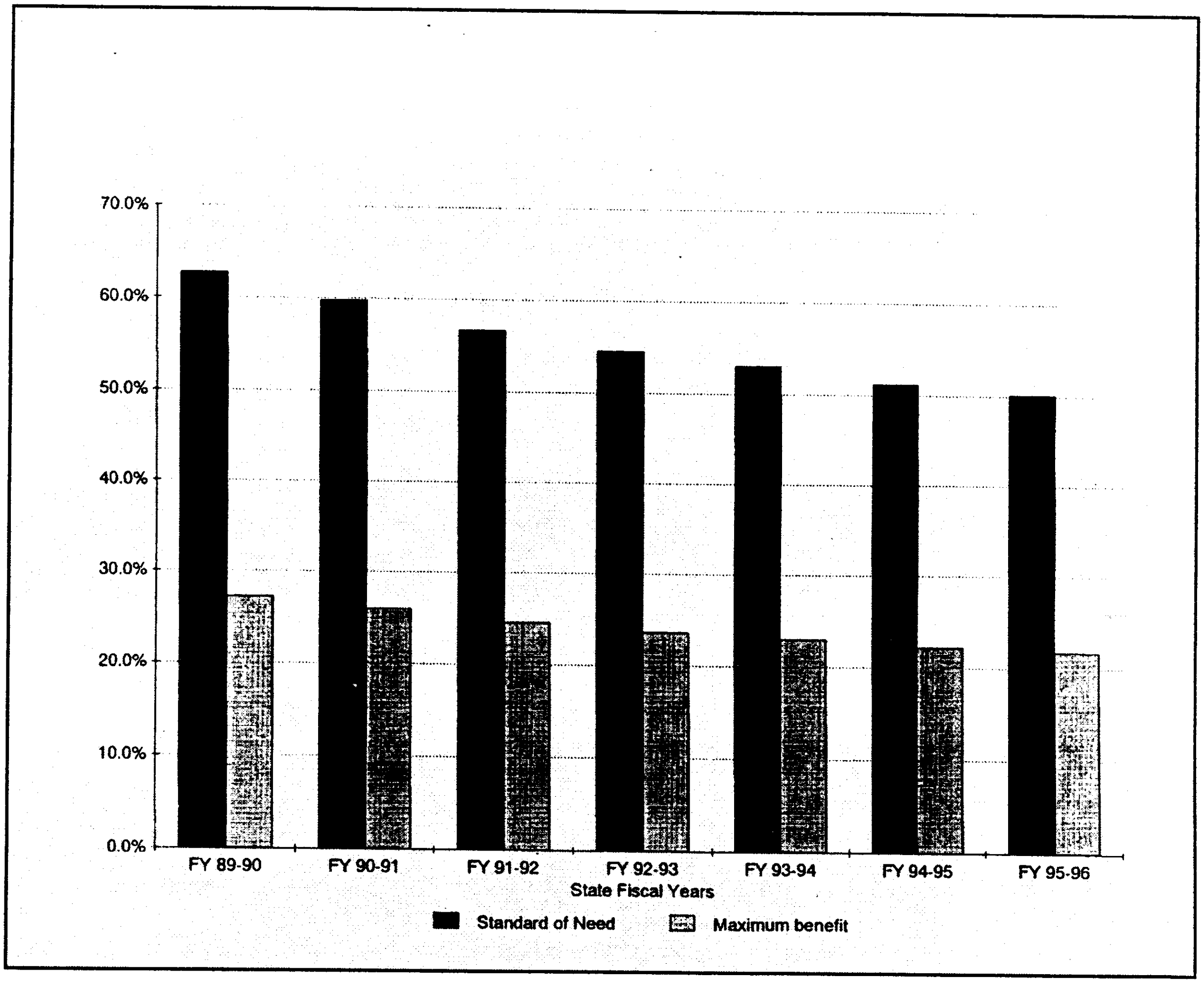
RECOMMENDATION 5.1: That the Cabinet for Human Resources strengthen its efforts to improve communication between caseworkers and clients, leading to full disclosure of the program options available to individuals or families eligible for public assistance.

At their current levels, three components of the AFDC program formula pose significant problems in the attainment of financial independence: the standard of need, maximum monthly payment, and resource limits. Of those who testified before the Commission, almost all suggested raising the AFDC standard of need and maximum benefit limits. An official from the Northern Kentucky Legal Aid Society explained that the current standard of need is sufficient to raise families to 50 percent of the poverty level and that this standard must be raised in order to help families overcome poverty. He asked, "Why not set the standard of need at the poverty level? Let people work and keep their grant until they get out of poverty, instead of [losing their grant] when they get to 50 percent of poverty."

The official from the Kentucky Legal Services Program also recommended raising the standard of need and maximum monthly benefits for AFDC recipients. He explained that by raising the former, recipients could keep a greater share of their AFDC payments (under the ratable-reduction formula) and keep their Medicaid coverage while working. This official made the following suggestions:

> **(1) Update the standard of need: (This standard) is the critical income guideline which governs what families can earn**

Figure 5.3
Kentucky AFDC Guidelines as a Percent of Poverty from 1990 through 1996



while keeping a reduced portion of their grant and their Medicaid card. (2) Update AFDC benefits themselves: Families cannot participate in work, school or community life if basic needs go unmet. Kentucky's maximum AFDC grant of $228 for a family of three amounts to less than 22 percent of the federal poverty level. It has gone unchanged since 1989 and ranks 44th in the nation. It's time to bring it up to date — and provide a better base on which to add earnings.

Figure 5.3 illustrates Kentucky's standard of need and maximum benefit levels in the AFDC program as a percent of the federal poverty line. When using federal poverty thresholds as a baseline, it is clear that the standard of need and monthly benefit levels have *declined* since 1989, the year in which Kentucky implemented the ratable-reduction system. For instance, in 1989 the standard of need was approximately 63 percent of poverty, while the maximum monthly benefit was approximately 27 percent of poverty. By 1995, these figures had fallen to 50 percent and 22 percent, respectively. Clearly, Kentucky's AFDC benefits are not sufficient to raise recipients to the federal poverty line. In fact, they are only able to bring a family to less than one-quarter of this threshold.

RECOMMENDATION 5.2: That the Secretary of the Cabinet for Human Resources promulgate

an administrative regulation amending Section 7 of 904 KAR 2:016 to: (1) apply a forty percent ratable reduction to the deficit between the family's countable income and the standard of need for the appropriate family size [as provided for in KRS 205.200(2)]; and (2) specify that the AFDC assistance payment shall be sixty percent of the deficit or the payment maximum, whichever is the lesser amount.

While the implementation of the Commission's recommendation would allow AFDC recipients to retain a greater portion of their payments as their incomes increased, an important goal, the main thrust of the recommendation is directed toward extending medical coverage for the poor.

Currently, AFDC recipients lose primary medical coverage when AFDC cash payments are discontinued. The latter may occur four months after the recipient obtains a 40- hour per week, $5.50 or more per hour job. Modification of the Ratable-Reduction ratio will allow AFDC recipients to earn more for a longer period without termination of benefits, thus increasing the likelihood of retaining AFDC and Medical Assistance eligibility until a greater level of self-sufficiency is achieved. Medical coverage is continued for one year for most former AFDC recipients, under a Transitional Medical Assistance Program, and pregnant women and children born after September 30, 1983 (whose family income is below poverty) continue to be Medicaid-eligible following expiration of transitional medical assistance benefits.

The initial loss of medical benefits is a function of income, the final loss of medical benefits is a function of time. The existence of the transitional program is testimony to the fact that the income level at which primary medical coverage is discontinued is insufficient to enable former AFDC recipients to afford medical coverage for either themselves or their children, a fact testified to by many current and former recipients and welfare practitioners. And the assumption that, somehow, the former recipients will increase their income within the short span of one year to a level at which they can afford to purchase medical coverage is illogical at best. While the assumption that medical coverage is affordable even at the poverty threshold is somewhat tenuous, at least the expectation is reasonable.

The potential loss of medical coverage is a major disincentive to work, a fact testified to by nearly all the AFDC recipients interviewed by the Commission. Extending coverage until a realistic level of income is reached will remove the disincentive, reduce the state's payout of other welfare benefits as more recipients take jobs, and cover that segment of the population most in need of health care until they can afford to cover themselves.

RECOMMENDATION 5.3: That the Secretary of the Cabinet for Human Resources request a waiver of Title IV-A of the Social Security Act to apply, concurrently, for twelve consecutive months the "first thirty dollars" and "one-third of the remainder of earned income" deductions allowable against earned income in computing AFDC benefits.

This recommendation further addresses the issue of extending medical benefits for a longer period of time after the client begins employment.

RECOMMENDATION 5.4: That Kentucky's AFDC cash-benefit levels be raised.

As a result of soon to be imposed federal limits on the amount of time public assistance can be granted, sufficient moneys could be available to increase payment or support services, or both, in order to enhance the transitional value of the assistance. An analysis should be undertaken to project the cost-saving impact of increased state flexibility, shorter benefit terms, and other factors to raise benefits for the likely diminishing client base. Also, to the extent that such savings would permit cost-of-living adjustments, they should be considered.

RECOMMENDATION 5.5: That Kentucky seek a federal waiver to raise the permitted resource limit for self-employed AFDC recipients to help meet the capital requirements of a new business.

Under current federal AFDC regulations, in the case of the self-employed, countable income is determined by subtracting certain business expenses from gross receipts. However, the deductible expenses do not include such things as equipment, payments on the principle of most loans, and personal transportation.

If an individual wishes to reinvest receipts by buying additional business equipment or inventory to expand the business or replenish stock, those receipts are still included in gross income. As a result, if there is any positive cash flow from the business, the family risks reduction or loss of its AFDC grant, even though the business may not yet be independently viable.

RECOMMENDATION 5.6: That Kentucky seek a federal waiver to raise the automobile value limit excluded from the AFDC asset limit.

JOBS program participants required to commute significant distances to obtain job training need reliable transportation. AFDC recipients starting a business need reliable transportation. AFDC recipients taking a job not accessible by public transportation need reliable transportation. Automobiles with a value of $1,500 or less are seldom able to provide the reliability needed for commuting or business service. The Commission suggests raising the excluded value from $1,500 of equity value to $6,000 of fair market value.

Shortcomings in Kentucky's JOBS Program serve as another barrier to self-sufficiency. The Commission discovered two problems in particular. The first concerns the federal exemption criterion that non-teenage mothers with children under the age of 3 are not required to participate in the program. Commission members considered this exemption problematic, since these mothers are often in the greatest need of information on how to "parent" children — instruction offered in the JOBS Program.

RECOMMENDATION 5.7: That AFDC regulations be amended to require non-teenage mothers with children under the age of 3 to receive the life-skills training portion of the JOBS Program, with emphasis on teaching participants how to raise children.

The Commission is aware that implementation of this recommendation would require a federal waiver. However, the Commission believes that the need for life-skill training is so crucial for this segment of the AFDC population as to make the effort worthwhile.

The other shortcoming of the JOBS Program is the amount of travel allowance given to participants. As stated earlier, those in the program receive an average of $52 per month for transportation costs. Citizens from rural areas, eastern Kentucky in particular, testified that the transportation allowance was not sufficient to cover their cost of travel. A Whitesburg resident described one of the practical difficulties that she experienced while participating in the JOBS Program:

I work 80 hours a month and they give us $3 a day for gas. I live about 10 miles (from my job location). By the time I put oil in my old truck and buy me a couple dollars worth of gas, I'll run out of gas before I get back home .... You have to have insurance on these vehicles or you can't get out on the road, so they are giving us $3 a day and we're supposed to furnish the vehicle insurance and gas and all of that. We just can't do it.

A field services supervisor in Whitesburg's Department of Social Insurance pointed out that transportation is often a barrier for rural residents, who must sometimes drive longer distances to receive education and job training. She explained that one of her clients (a JOBS participant) desired to take classes at Pikeville Community College, but could not attend due to lack of transportation. When asked if the transportation allowance provided by the JOBS Program was sufficient, the supervisor responded, "Well, I don't know that you could go to Pikeville on $3 a day."

RECOMMENDATION 5.8: That the Cabinet for Human Resources develop a schedule of transportation allowances for JOBS participants based upon the individual need of the participant. "Need" would be a function of the distance that the participant is required to travel to participate in basic job training programs or to travel to vocational education or higher education facilities.

The Commission observed other barriers to self sufficiency, including the absence of a coordinated effort to market adult education programs, literacy programs, and JTPA (Job Training Partnership Act) services to the impoverished, and the need for greater attention to the needs of JOBS program participants who are chemically dependent. Although it is true that AFDC recipients are required to participate in the JOBS program (unless they meet federal exemption criteria), the Commission found that the poor who receive some sort of public assistance other than AFDC may receive adult basic education services (ABE), one component of the JOBS Program, and could possibly be eligible for JTPA services. In other words, these individuals may receive the basic instruction offered by the program, but cannot receive the corresponding child care and transportation allowances. Another group, non-custodial parents under court order to pay child support, stands to benefit from the training available through the JTPA. In neither the case of non-AFDC public assistance recipients, nor in the case of ordered payers of child support, did the Commission identify any special effort to make these individuals aware of their potential eligibility for JTPA services.

RECOMMENDATION 5.9: That the Cabinet for Human Resources and the Workforce Development Cabinet develop and implement an effective outreach program to market the WDC's services to the impoverished, particularly those who receive some sort of public assistance other than AFDC.

The intended outcome of this recommendation is the recruitment of persons who would benefit from the training sessions available through the JTPA. Identification of potential participants from the ranks of non-AFDC public assistance recipients and certain payers of child support would be possible through records maintained by the Cabinet for Human Resources.

RECOMMENDATION 5.10: That the Cabinet for Human Resources evaluate the substance abuse treatment options available to JOBS participants and evaluate the success rate of long-term substance abuse treatment programs offered by private, nonprofit agencies, versus the rate of success of the more traditional short-term treatment programs provided by hospitals.

The Commission became aware through testimony at its public hearings of the significant role that substance abuse plays in poverty. The chemically dependent are generally unable to "cure" themselves, and require a formal program to achieve sobriety.

At both its Louisville and Covington public hearings, the Commission heard testimony about the glowing success of the treatment programs offered by private, non-profit groups operating in those areas.

A former substance abuser testified to the following:

> **The reason I'm here (at the Commission's public hearing in Louisville) is that I just completed a program through St. John's (St. John's Center) which deals with drug and alcohol abuse. The program is from six to nine months. The staff teaches us to restructure our lives and restructure our thinking. The program works with the unemployment services to help finding a job. They help you find housing. Before I went in there I didn't care if I lived or not. Today I have an apartment, job, and care. They are able to take up to 25 individuals. I am not saying the program works for everybody. It takes six to nine months to get your life back together. The 30-day programs don't work. When they finish the program, they are back out on the street, back where they started from.**

An associate executive director of Transitions, Inc., told the Commission the following:

> **Transitions is a private, nonprofit agency whose mission is to help individuals, families, and communities break the cycles of substance abuse, family abuse, crime, violence, and poverty. The biggest barriers that we see in attempting to help people break the cycle of poverty is substance abuse. What we find is that people who have a disease of chemical dependency do not know they have a disease, and do not know they have choices to get out of the situations in which they find themselves. At Transitions we serve 400 individuals every year in our long-term residential chemical dependency treatment programs and 500 individuals in our short-term non-medical detoxification unit. What we find very disheartening in the work that we do is that the expenses for the programs we have are one-fourth to one-tenth what it costs in a hospital-based program to do the same type of work, and yet we get and obtain for all of those people who are chemically dependent and indigent within the Northern Kentucky area what it costs to run a hospital-based program for a day and a half. We have found that those people who stay connected to treatment for at least six months, and up to a year, are much more likely to main-**

tain their sobriety, much more likely to resist the temptation to participate in crime, much more likely to maintain their homes, and much more likely to maintain their employment, than those who are given very short-term treatment, very short-term meaning 30 days or less.

The final barrier to self-sufficiency encountered by public assistance recipients to be discussed here is the time limit for transitional child care. When AFDC cash payments are discontinued, former recipients become eligible for child care assistance for a period of up to one year. As in the case of time-limited medical benefits, extended child care benefits generally terminate at the end of one year, unless the recipient is eligible under the income guidelines of the At-Risk Child Care Program. While not as significant as medical care in a recipients's decision to take a job or their ability to stay on the job – options other than commercial day care are often available – the loss of child care benefits does play an important role in the whole employment scheme.

RECOMMENDATION 5.11: That Kentucky apply for a federal waiver to extend Transitional Child Care benefits form 12 to 24 months.

The majority of former AFDC recipients who participated in the Transitional Child Care Program, and who testified before the Commission, favored extending benefits for a period longer than one year – the current time limit for receiving benefits. For them, the cost of child care served as a "bump in the road" to self-sufficiency, and transitional assistance helped them to surmount this obstacle. The Commission agreed and thought it reasonable to recommend an extension of benefits from 12 to 24 months.

Recent Developments

In September 1995, both houses of Congress approved plans that would dramatically change the country's welfare system. Under legislation approved by the Senate, there would no longer be a guarantee of assistance to poor Americans, and plans approved by the House and Senate would abolish the AFDC Program, converting it to a "block grant" to the states.[30] And a five-year, lifetime limit would be placed on cash payments to recipients.[31] Also, as of late September, there was a proposal in the House to abolish the Medicaid Program and replace it with a block grant under the Medigrant Program.[32]

It is not clear whether welfare reform legislation, once it is approved by Congress and authorized by the President, will include federal matching or maintenance-of-effort requirements.[33] Also, it is not known exactly how much flexibility will be given to states in terms of administering block grants, or the level of funding relative to current categorical outlays. Nevertheless, the Commission believes both maintenance of effort and the allocation of block grants to be issues of such serious consequences that the development of policies encompassing each should begin immediately.

RECOMMENDATION 5.12: That the Commonwealth maintain its current level of support for poverty-related categorical programs, including AFDC and Medicaid, in the event that the state is allowed funding discretion through a block grant.

RECOMMENDATION 5.13: That the responsibility for the development of state policy concerning the allocation and administration of block grants be placed in the Office of the Governor.

ENDNOTES

1 *James Jennings,* Understanding the Nature of Poverty in Urban America *(Westport, CT: Praeger, 1994), p. 114.*

2 *Aside from the deprivation, income and resource requirements, in order to receive AFDC, families with a dependent child are required to meet the following criteria: (1) the dependent child must be under 18, or under 19 if in regular full-time attendance in high school or the same level of vocational or training school; (2) the dependent child must be living with either a parent or a close relative; and (3) the family must live in Kentucky.*

3 *Letter from John Clayton, Frankfort, KY, 28 November 1995.*

4 *Telephone conversation with Terry Wilson, Manager of the Budget and Contract Branch, Department for Social Insurance, Cabinet for Human Resources, 25 September 1995.*

5 *Ibid.*

6 *Ibid.*

7 *Ibid.*

8 *Ibid.*

9 *Rich Seckel, "Welfare Myths and Facts" (Lexington, KY: Office of Kentucky Legal Services Programs, 1995), p. 1.*

10 *Ibid.*

[11] *Ibid.*

[12] Public Assistance in Kentucky, *Department for Social Insurance, Cabinet for Human Resources (Frankfort, KY: Department for Social Insurance, 1995), p. 2. This number represents the average number of recipient children in families receiving Basic AFDC funds for SFY 1995. It was calculated by dividing the total number of Basic-AFDC recipient children (120,852) by the total number of Basic AFDC families (71,974). After rounding off to one decimal point, the result was 1.7.*

[13] *Rich Seckel, "A Short Guide to AFDC in Kentucky" (Lexington, KY: Office of Kentucky Legal Services Programs, 1992), p. 3.*

[14] *Telephone conversation with Sherman Bowman, JOBS Program Coordinator, Department for Adult Education and Literacy, 2 October 1995. Letter from John Clayton, Frankfort, KY, 28 November 1995.*

[15] *Telephone conversation with Sherman Bowman, JOBS Program Coordinator, Department for Adult Education and Literacy, 2 October 1995.*

[16] *Letter from John Clayton, Frankfort, KY, 28 November 1995.*

[17] *Telephone conversation with Sherman Bowman, JOBS Program Coordinator, Department for Adult Education and Literacy, 2 October 1995.*

[18] *Ibid.*

[19] *Rich Seckel, "A Short Guide to AFDC in Kentucky" (Lexington, KY: Office of Kentucky Legal Services Programs, 1992), p. 2.*

[20] *Ibid.*

[21] *Ibid.*

[22] *James Jennings,* Understanding the Nature of Poverty in Urban America *(Westport, CT: Praeger, 1994), p. 114.*

[23] *Telephone conversation with Sherry Veach, Financial Management Branch, Department for Medicaid Services, Cabinet for Human Resources, 25 September 1995.*

[24] *Ibid.*

[25] *Telephone conversation with Neville Wise, Manager of the Financial Management Branch, Department for Medicaid Services, Cabinet for Human Resources, 25 September 1995.*

[26] *Telephone conversation with Sherry Veach, Financial Management Branch, Department for Medicaid Services, Cabinet for Human Resources, 25 September 1995.*

[27] *Ibid.*

[28] *Ibid.*

[29] *There is no resource test for pregnant women and children born after September 30, 1983 whose family income is below the poverty line.*

[30] *Herald-Leader Wire Services, "Senate Votes to Transform Welfare System,"* Lexington Herald-Leader, *20 September 1995, p. 1.* Block grants *are "... fixed amount lump-sum federal payments that are ... designed to give states the flexibility to address a broad range of activities relevant to the general purpose of (each) grant." See* Appropriate Uses of Block Grants: One Piece of the Financing Puzzle, *Center for the Study of Social Policy (Washington, D.C.: Center for the Study of Social Policy, 1995), p. 3. Such grants do not afford citizens any guarantee of public assistance (p. 3).*

[31] *William Douglas, "Democrats Help Pass Welfare Bill,"* Lexington Herald-Leader, *20 September 1995, p. 1.*

[32] *Joy Johnson Wilson and Michael Bird, "Medicaid Reform Considered in the House,"* Capitol to Capitol, *21 September 1995, p. 1.*

[33] Maintenance-of-effort requirements *are stipulations that states expend a portion of their own funds to serve the general purpose behind a block grant and not simply "... use federal funds to displace state and local funds currently targeted to ... identified populations." See* Appropriate Uses of Block Grants: One Piece of the Financing Puzzle, *Center for the Study of Social Policy (Washington, D.C.: Center for the Study of Social Policy, 1995), p. 14.*

CHAPTER VI

ECONOMIC DEVELOPMENT AND POVERTY: AN INTRINSIC RELATIONSHIP

If "having a job is the single most important characteristic of an adult in indicating whether the family lives in poverty or not,"[1] as Kentucky's demographic data strongly suggest, then a state's ability to develop, attract, and retain jobs is the key to enabling its citizens to enjoy an above-poverty standard of living. Kentucky's system for economic development, or, more precisely, that portion of the system which offers tax subsidies and low-cost guaranteed loans to foster the attraction, expansion, and retention of jobs, is the standard for states with similar economic situations. Built upon a variety of programs, Kentucky's scheme for meeting job competition is frequently cited as the most comprehensive and generous plan in the southeast. Recent tax-incentive legislation introduced in the Alabama House of Representatives under the sponsorship of House Speaker James Clark, and supported by the Economic Development Association of Alabama and the Business Council of Alabama, was cited as necessary "... to keep Alabama competitive with the very generous Mississippi and Kentucky incentives legislation...."[2]

While conceding the attractiveness of Kentucky's incentive programs, and choosing to remain neutral on the issue of utilizing substantial tax breaks to attract business, the Commission on Poverty observed the absence of any significant effort to tie the jobs attracted through the majority of the state's economic development programs to employment of the poor or unemployed. Also noted was the absence of any programs designed to encourage the development of jobs through the creation of small, high-risk businesses, to identify potential entrepreneurs for indigenous businesses, and to assist private, nonprofit organizations in their efforts to foster local economic development. Absent also from Kentucky's economic development programs are guarantees that the wages paid by employers benefiting from the state subsidies will be sufficient to support a family above the poverty level or to provide benefits, especially health care and dependent care, which the employee might not otherwise find personally affordable. Chapter 6 presents the Commission's findings and recommendations concerning Kentucky's tax incentive programs, loan programs, the Commonwealth Venture Fund, and other matters of interest to Commission members.

Tax Incentive Programs

Currently, there are five tax incentive programs designed to attract, expand, or retain jobs in Kentucky:

- the Kentucky Industrial Development Act,
- the Kentucky Industrial Revitalization Act,
- the Kentucky Jobs Development Act,
- the Kentucky Rural Economic Develop ment Act, and
- the Enterprise Zone Program.

Of the five programs, only the Kentucky Rural Economic Development Act and the Kentucky Enterprise Zone Program stipulate eligibility criteria which have even an indirect connection with the employment of the poor or unemployed.

Kentucky Industrial Development Act (KIDA)

The General Assembly created the KIDA program in 1992 to aid the establishment of new manufacturing plants or the expansion of existing operations. If granted approval by the Kentucky Economic Development Finance Authority (KEDFA), an eligible company receives a 100 percent credit against the income tax liability generated by the project, limited to the annual amount of debt service (principal and interest) paid to a lender in connection with "eligible project" financing. Financing may be provided by any source, the most typical being banks or industrial revenue bonds. This credit remains in place for the term of the financing, or 10 years, whichever occurs first.

There are various eligibility criteria according to KIDA guidelines. Corporations, partnerships, sole proprietorships, and business trusts are eligible for participation. Eligible projects include the acquisition of land, buildings, and building fixtures for new and expanding manufacturing companies, together with storage, warehousing, and related office facilities. Expenditures for land acquisition, site development, utility extensions, architectural and engineering services, building construction or rehabilitation, and purchases of building fixtures (including installation costs) are considered to be eligible costs.

According to Economic Development officials, the KIDA program has been successful in its mission of assisting manufacturing businesses. Since it began in 1992, officials have approved 90 projects, the majority of which have occurred in urban areas, such as Jefferson and Fayette Counties. Participating companies have invested a total of approximately $2 billion in these projects. While investments have ranged from $75,000 to $450 million per project, the total investment of KIDA money has been $906 million. Overall, 9,607 jobs (measured in full-time equivalents) have been created under this program.

Kentucky Industrial Revitalization Act (KIRA)

Created in 1992, KIRA also focuses on manufacturing companies but targets businesses facing imminent closure due to lack of productivity or profitability caused by outdated equipment. A company receives a combination of a Kentucky income-tax credit and the right to invoke an employee wage assessment equal to 6 percent of the gross payroll if approved by KEDFA. These credits remain in place until 50 percent of the approved costs have been recaptured, or for 10 years, whichever comes first. In addition, the company's employees receive a tax credit against their Kentucky income tax equal to 2/3 of the annual assessment fee. Further, they gain a credit against the local occupational tax equal to 1/6 of the assessment fee.

Similar to KIDA, KEDFA operates this program by applying various eligibility criteria. Eligible businesses must employ 25 or more persons and, as stated above, must face imminent closure. Building improvements, equipment purchases and other efforts intended to make the company profitable are all considered to be eligible projects. KIRA's main goal is to increase the profitability of a company to a point at which the company can survive on its own.

The KIRA Program has been used sparingly, according to Development officials. Few companies apply for this program, since it is uncommon for manufacturing companies to face immediate closure solely because of their use of outdated equipment. In fact, only two businesses have participated in KIRA's brief history. The Director of the Rural Economic Development Division of the Department of Financial Incentives testified that KIRA funds recently allowed the General Electric Appliance Park in Louisville to remain open and thereby saved 9,000 jobs. And, he said that when officials of the Emerson Power Transmission Corporation decided to consolidate their operations in Colorado and Kentucky by opening one location in South Carolina, KIRA funding allowed this consolidation to occur in Maysville, Kentucky.

Kentucky Jobs Development Act (KJDA)

The General Assembly created this program in 1992 in order to entice service or technology-related businesses to locate in Kentucky. If granted approval by KEDFA, an eligible company receives a 100 percent credit against the state income tax arising from the project and a wage assessment (5 percent maximum) of the increased gross payroll of the *new* employment resulting from the project. Total assessments and credits cannot exceed the approved costs, and cannot be taken beyond a 10-year period. Each employee is entitled to an income-tax credit against their Kentucky income tax equal to 4/5 of the total wage assessment, if the company utilizes such an assessment. In addition, the employee is entitled to a credit against the local occupational tax equal to 1/5 of the total wage assessment.

Like KIDA and KIRA, KEDFA determines a business' eligibility to participate in this program through the application of certain criteria. Eligible companies must be service- or technology-related and must provide more than 75 percent of their services to persons located outside the state. The purpose of this requirement is to prevent KJDA participants from competing with existing Kentucky businesses. Additionally, the company must increase its employment of Kentucky residents by a minimum of 25 new, full-time jobs resulting from the project. Eligible approved costs are defined as 50 percent of the start-up costs, which are essentially the cost of furnishing and equipping the facility, and 50 percent of the annual rent costs.

According to Economic Development officials, approximately 40 companies now participate in the KJDA program. The Director of the Rural Economic Development Division indicated that these companies have invested a total amount of $80.6 million in their projects, while the state has invested $2.1 million. Although only 2,075 jobs (measured in full-time equivalents) have been created under this program as of June 1995, officials anticipate the creation of 7,204 jobs overall.[3]

Kentucky Rural Economic Development Act (KREDA)

This program was created in its present form by the Kentucky legislature in 1992. Designed to encourage economic development in counties with high rates of unemployment, the Act grants eligibility to firms which agree to locate in Kentucky counties whose average annual unemployment rate has exceeded the state average annual unemployment rate for five consecutive calendar years. A KREDA approved company receives a 100 percent credit against the Kentucky income-tax liability generated by the project, limited to the annual amount of debt service (principal and interest) paid to a lender in connection with eligible project financing. The tax credit remains in place for the term of the financing, or 15 years, whichever occurs first. Unused credits may be carried forward for the term of the KREDA agreement.

In addition to receiving state-tax incentives, an approved company may also utilize the Job Development Assessment Fee ("JDAF") in connection with the KREDA project. This entails a withholding from the employees hired as a result of the KREDA-approved project of a maximum of 6 percent of their gross wages. The employees recover this fee through a state-income tax credit equal to 2/3 of the JDAF and a credit against the local occupational tax equal to 1/3 of the JDAF (to the extent that local occupational taxes exist).

Corporations, partnerships, sole proprietorships, or business trusts that establish new manufacturing plants or expand existing manufacturing operations in qualifying counties are eligible for this program. Further, eligible companies may initiate projects involving "approved costs" related to land acquisition, site development, utility extensions, architectural and engineering services, building construction or rehabilitation and purchases of equipment and fixtures (including installation costs).

The KREDA Program applies only to counties with exceedingly high poverty *rates*, rather than to counties with high *numbers* of poor. As would be expected, the participating counties, reflected in Figure 6.1, are predominately rural in nature. Urban areas, which the demographic analysis in Chapter 2 revealed as having the greatest number of poor, are effectively barred from participation in the KREDA Program.

Kentucky Enterprise Zone Program

The General Assembly created this program in 1982 as part of an effort to bring new or renewed development to certain economically depressed areas. After a "poor" area has been identified, it is declared an enterprise zone — a designation lasting 20 years. Provided that a company meets the eligibility requirements discussed below, state and local tax incentives are offered to businesses located or locating in this area.

Among the tax incentives given to participating businesses are specific exemptions from sales and use taxes, and wage-assessment credits (for previously unemployed persons and/or persons receiving public assistance). For example, building materials used in remodeling, rehabilitation, or new construction within an enterprise zone are exempt from sales and use taxes. Likewise, new and used machinery purchased and used by a qualified business within this zone is exempt from sales and use taxes. Most importantly, a qualified business shall be allowed a credit against the corporation income tax equal to 10 percent of the wages paid to each employee who has been unemployed for at least 90 days or who has received public assistance benefits for at least 90 days prior to being employed by the business. The credit has a maximum limit of $1,500 per employee, and any unused credit may be carried forward for a maximum of five years.

The Enterprise Zone Program applies to all types of businesses. Although there are certain exemptions from the motor vehicle usage tax, the major tax incentives involve exemptions from sales and use taxes. Most zones are found in urban areas, with the exceptions of Knox County and Hickman. Table 6.1 provides a current list of enterprise zones in Kentucky.

Businesses must meet several criteria in order to qualify for the Enterprise Zone Program. First, 50 percent of their employees must perform all of their services within an enterprise zone. If a company wishes to apply as a "new" business (one which began operation in the zone after the date the zone was designated), 25 percent of the company's total full-time workforce must meet the targeted cri-

Figure 6.1
Kentucky Rural Economic Development Authority, Eligible Counties, May 1995

Eligible Counties

These counties have been decertified; however, projects can be undertaken in these counties until spring 1996.

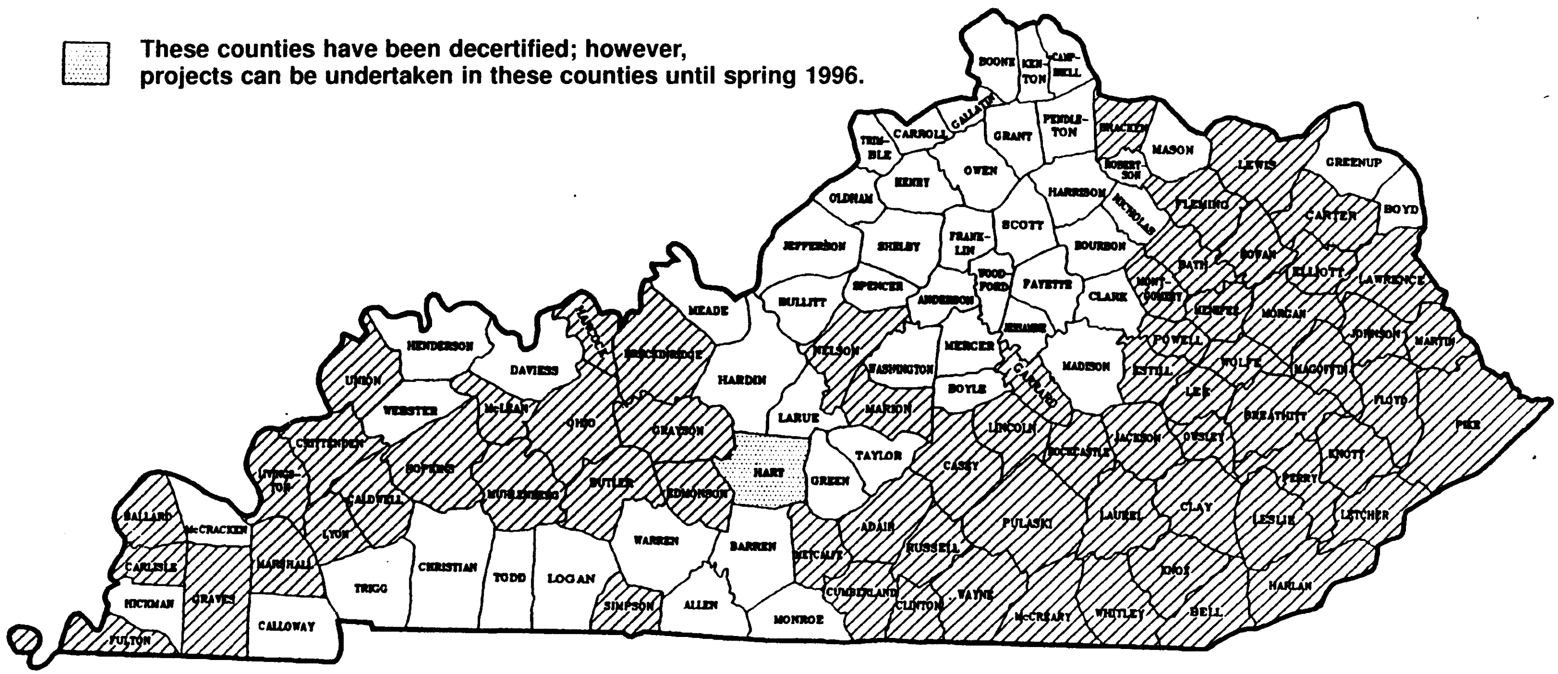


Table 6.1
Kentucky Enterprise Zones

Louisville	1983	Lexington	1985
Hickman	1983	Knox County	1986
Ashland	1984	Campbell County	1986
Covington	1984	Paducah	1986
Owensboro	1985	Hopkinsville	1987

Source: Cabinet for Economic Development (1995)

teria (discussed below) as long as the business is enterprise zone-certified. On the other hand, if a company desires to apply as an "existing" business (a company in operation in the enterprise zone prior to the designation of the zone), it has two options: initiating a 20 percent increase in capital investment or increasing its total workforce by 20 percent (25 percent of these new employees must meet the targeted-workforce criteria).

The targeted-workforce criteria contain three basic parts. Businesses must hire a Kentucky resident who either (1) resides within the enterprise zone, or (2) was unemployed for a period of 90 days prior to being hired by the enterprise-zone business, or (3) received public assistance for 90 days prior to being hired by the business.

Other than the KJDA, which requires businesses to hire Kentucky residents, the Enterprise Zone Program is the only program that requires businesses to hire persons meeting pre-determined criteria. Currently, 2,802 businesses are enterprise-zone certified. Enterprise Zone Program staff told the Commission that 34 percent of the total number of persons who have been hired meet at least one of the targeted-workforce criteria. It is not possible to determine the number of persons underlying this percentage since information about the unemployed and persons receiving public assistance is confidential to the Cabinet for Human Resources and the Workforce Development Cabinet.[4]

The Enterprise Zone Program is experiencing one major problem:

> **In many areas, the pool of targeted workers is shrinking and the larger enterprise zone businesses are finding it extremely difficult to fill their necessary numbers ... This problem seems to be acute in Northern Kentucky and Louisville, areas where most enterprise zone activity takes place.**[5]

In response to a Commission inquiry, Economic Development officials cautioned that increasing the percentage of targeted workers would be unduly burdensome to enterprise zone businesses. "Increasing the percentage of employees from the targeted workforce would render Kentucky's Enterprise Zone Program virtually impossible for businesses to comply."[6]

RECOMMENDATION 6.1: That the Kentucky Industrial Development Act (KIDA) and the Kentucky Jobs Development Act (KJDA) be amended to provide an incentive for the qualified business to hire a full-time equivalent of 25 percent of its employees from a targeted workforce. The targeted workforce would be made up of Kentucky residents who were unemployed, or who had received public assistance for at least 90 days prior to being employed by the business.

In recommending the establishment of incentives within KIDA and KJDA for businesses to employ from a targeted workforce, the Commission took note of the Economic Development Cabinet's caution that many firms resist dictation as to the kinds of employees they must hire, even when a modest percentage of employees are involved. On the other hand, the Commission also noted the Cabinet's testimony to the effect that employers participating in the Enterprise Zone Program had met and substantially exceeded similar criteria for employment from a targeted workforce, and the Commission was skeptical of the Cabinet's contention that "...adding similar qualifications to KIDA, KJDA and KIRA would make KREDA and the Enterprise Zone Program less effective in helping

Kentucky's distressed areas."[7] The Commission believes that to omit employment of the poor or unemployed totally as a criterion for participation in Kentucky's tax incentive system of economic development would be an opportunity wasted.

From the point-of-view of the qualified business, a targeted-workforce employment requirement would seem a reasonable tradeoff for the tax benefits offered. And the incentive to the state to include the requirement is obvious.

In addition to the general tax revenues received from an employed worker, the state benefits through savings in welfare payments when a public assistance recipient is employed. And employers, who support the Unemployment Insurance Fund through payroll taxes, realize a savings when the unemployed are hired.

Omissions of a targeted workforce employment requirement from the state's economic development programs, when there appear to be compelling arguments for its inclusion, fosters the impression that workers in the welfare recipient/unemployed pool are unemployable in manufacturing- or technology-related jobs. If training or retraining is necessary, as is frequently the case for many potential workers, job specific instruction is available through the state's Bluegrass State Skills Corporation.[8] Creating a demand for skilled workers among the poor or unemployed will emphasize the need to properly prepare participants in the JOBS Program for jobs in modern industry, and will support the contention that all unemployed persons should have access to the skill counseling and training referral available through the JOBS Program.

While the Commission makes no recommendation as to the incentive that should be offered, it does suggest that a "wage assessment" provision, similar to the one present in KJDA, could be added to the KIDA, and that the wage assessment incentive present in KJDA could be made available only to those firms which agree to hire from a targeted workforce. In both cases, the new incentive or the added criteria would apply only to newly participating firms in either program.

RECOMMENDATION 6.2: That the Kentucky Industrial Revitalization Act (KIRA) be amended to provide an incentive for the qualified business to hire a full-time equivalent of 25 percent of new or additional employees from a targeted workforce, as described in Recommendation 6.1.

Since the purpose of KIRA is to salvage existing businesses and to save existing jobs, providing an incentive to employ a portion of an existing workforce from a targeted pool would make no sense. The Commission believes, however, that encouraging businesses to employ a percentage of new hires or additional hires from the ranks of the poor or unemployed is a reasonable policy. The wage-assessment incentive, already present in the KIRA regulations, would appear to be a logical incentive, offered prospectively to encourage full participation in the program.

RECOMMENDATION 6.3: That the Kentucky Rural Economic Development Act (KREDA) be amended to require the qualified business to hire a full-time equivalent of 25 percent of new or additional employees from a targeted workforce, as described in Recommendation 6.1, as a requisite for participation in the program.

It is ironic that KREDA targets counties with long-standing high rates of unemployment, but fails to require the qualified business to hire from the ranks of the unemployed. The assumption is made that if a business locates in an area of high unemployment, it must, by sheer numbers, hire some of the unemployed. This assumption, however, ignores the possibility of persons within the county shifting from one job to another, and ignores the possibility of currently employed persons from outside the county, or from outside the state for that matter, being hired to fill the newly-created jobs. The Commission believes that in order for KREDA to fulfill its mission of providing jobs for the unemployed, a targeted-workforce employment criterion is necessary. Including public assistance recipients in the targeted workforce is a logical extension of the state's economic development policy to increase per capita income and insure a meaningful quality of life for those citizens.

RECOMMENDATION 6.4: That the Kentucky Enterprise Zone Program law be amended to eliminate residents of the enterprise zone from the definition of targeted workforce.

The General Assembly, in creating the Enterprise Zone Program, declared as its purpose the revitalization of economically depressed areas in the state. One of the four major goals of the program was to: "... improve the quality of life of individuals that reside within an enterprise zone by providing employment opportunities ..."

The original concept of an enterprise zone was a small, highly depressed area in an urban setting. Today's enterprise zones, for the most part, are large, sometimes nearly county-wide areas, encompassing both depressed and affluent areas. The goal of improving the quality of life of the poor or unemployed is easily thwarted by the employment of nonpoor, employed persons living within the zone. The Commission believes that the original goal of the Enterprise Zone Program would be better achieved by dropping the local employment criterion and focusing on the employment of the unemployed or public assistance recipients.

Loan Programs

Two general purpose loan programs, the Kentucky Economic Development Finance Authority (KEDFA) Direct Loan Program, and the SBA 504 Loan Program, are available to assist in the recruitment of business to Kentucky. Neither program has eligibility requirements touching upon the employment of the poor or the unemployed or upon the payment of above poverty-level wages, or the furnishing of benefits to the business' employees.

KEDFA Direct Loan Program

Essentially, this program offers mortgage loans designed to allow companies to create new jobs or have a significant impact on the economic growth of a community. Under the Direct Loan program, KEDFA may supply a maximum of 25 percent of the fixed-asset costs associated with a project (land, building, equipment), but its amount of participation will be based on the number of jobs to be created. "The money loaned under (this) program is not state money originating from tax revenue. It is instead loaned out of a bond pool on which the state pays interest."[9] The maximum loan amount is $500,000, while the minimum is $25,000.

While retail projects are ineligible for this program, others, such as agribusiness, tourism, industrial ventures, and service industry projects, may receive direct loans. The interest rate for a particular loan is fixed, and is tied to the term of the loan. Under KEDFA guidelines, only fixed assets may be financed. Project owners must inject a minimum of 10 percent toward these assets.

Development officials maintain that the KEDFA program has aided community development throughout Kentucky. Participating businesses have stimulated their local economies by creating new jobs, using local services, and purchasing local products. "The majority of loans from KEDFA have created the jobs they projected to create."[10] Approximately $13 million had been loaned under this program as of July 1993.[11]

Small Business Administration 504 Loan Program

The Commonwealth Small Business Development Corporation (CSBDC) is an economic development entity created under the auspices of the Small Business Administration (SBA) to enhance economic growth. Its staff is largely composed of KEDFA officials who are responsible for operating the SBA 504 Loan Program. Essentially, this program promotes community development through job creation and retention. It requires that loans be used in conjunction with private financing. The CSBDC is the subordinate lender to a private institution and can lend a maximum of 40 percent or $750,000 per project.

Once a loan is approved, the SBA issues an authorization committing to the project. At this point, the bank may begin interim financing of this project. Such financing must be obtained from a regulated lending institution. When the project is completed, the debenture is sold and CSBDC debenture proceeds are disbursed.

Companies must meet certain eligibility criteria in order to receive an SBA 504 loan. An applicant's business must: (1) qualify as a small business by SBA standards, (2) have a significant impact on the economic growth of a community, (3) create or retain new jobs, (4) and initiate a project no smaller than $125,000. Eligible projects are limited to fixed-asset acquisition. Examples include land and building purchases, building construction and rehabilitation, and machinery and equipment purchases.

Just as the KEDFA program has been successful in reaching its goals, Development officials claim that the SBA 504 Loan program has been effective as well. Small businesses receiving an SBA loan have created new jobs, used local services, purchased local products, and enticed other businesses to open in their communities.[12]

RECOMMENDATION 6.5: That the various statutes and administrative regulations governing the award of loans and grants for economic development purposes, and the statutes and administrative regulations authorizing the issuance of

bonds to finance economic development loans and grants, be amended to add to the project selection and lending criteria (1) the number of jobs to be filled from the ranks of public assistance recipients or unemployed; (2) the level of wages to be paid; and (3) the employee benefits to be provided.

While the Commission feels very strongly that state subsidies to business should be leveraged to generate the greatest return to the state, e.g., the employment of the poor or unemployed, the payment of above poverty-level wages, and the providing of benefits, the Commission is unsure as to whether or not the benefits provided through loans or grants are sufficient to demand these provisions. Therefore, the Commission recommends that, for the time being, the "carrot" of selection and degree of participation should be used to extract the desired concessions.

Venture Capital

Venture capital is the lifeblood of the high-risk, often small, frequently indigenous business venture. When traditional commercial lenders refuse to participate, the availability of venture capital will determine whether or not a business will open its doors.

Kentucky Highlands Investment Corporation (KHIC)[13]

The impact of venture capital is easily observed through the operations and success of Kentucky Highlands Investment Corporation. KHIC is a Community Development Corporation, originally created by the federal government in 1968, and now responsible for administering economic development programs in southeastern Kentucky. It has evolved from a government-supported entity into a private, non-profit organization that focuses on managing investments designed to benefit a nine-county service area: Bell, Clinton, Clay, Harlan, Jackson, McCreary, Rockcastle, Wayne, and Whitley. Utilizing a "development venture capital" approach, Kentucky Highlands assumes the difficult task of finding aspiring entrepreneurs and financing their businesses as long as they promise to locate inside the KHIC service area and to hire unemployed residents. New ventures also must promise to exceed $1 million in sales by their third year of operation. At present, the corporation has a net worth of $17 million and assets totaling $22 million.[14]

Kentucky Highlands' 17-member Board of Directors reviews funding applications and approves all investment decisions, although 13 staff members are responsible for the corporation's daily operation. It encourages the development of manufacturing operations rather than service companies, for fear that the latter would only compete with existing businesses in the nine-county service area, while manufacturing ventures would cater to markets outside the area. By providing fair financing terms and the capital necessary to begin this type of business, Kentucky Highlands often assumes an ownership position in the fledgling company. All else being equal, the corporation will either sell its interest in this company, once it has proven to be successful, or will maintain its ownership position in an effort to make the company profitable.

The corporation has assisted numerous businesses in their effort to benefit the southeastern region of Kentucky, in spite of a shortage of entrepreneurial and management talent. Kentucky Highlands has provided more than $31 million in investment capital to aspiring entrepreneurs during its 27 years of operation. Debt and equity investments constitute the majority of this amount. Also, it has investments or loans with 17 companies at present, ranging from $50,000 to $2 million. Over the years, sales from companies receiving financial assistance from the corporation have approached $1 billion.[15]

Kentucky Highlands' officials claim that their organization has positively influenced its service area in several ways. They point out that the corporation's investment has increased personal and corporate income tax revenue for the state. As of 1993, investee companies paid $200 million in wages to their employees, which generated $49 million in personal income taxes. The companies themselves have paid a total of $8.2 million in corporate income taxes over the years.

KHIC officials also assert that the number of job opportunities for area residents has grown. As of June 1995, investment activity had created 4,100 jobs for these residents. Many manufacturing jobs have appeared partly due to the corporation's investments. There were 4,671 manufacturing jobs in the KHIC service area in 1968. As of 1993, employment in this industry had climbed to 7,164.

Finally, corporation officials argue that southeastern Kentucky has reduced its dependence on public assistance programs with the help of KHIC investment. The KHIC president believes that a conservative estimate of the proportion of persons hired by Kentucky Highlands' investees who were unemployed prior to being hired is 65 percent. Further, he claims that a conservative estimate of the proportion of persons hired who were public assistance recipients at the time they were hired is 53 percent.

The Commonwealth Venture Fund

The Commonwealth Venture Fund Act, in its present form, was adopted by the General Assembly in 1992. The law was designed to "... encourage capital investment in the Commonwealth of Kentucky, to encourage the establishment or expansion of small business and industry, to provide additional jobs and to encourage the development of new products and technologies in the state through seed and venture capital investments."[16] The act required a minimum investment in the fund of $5 million, raised through private donations. Contributors to the fund were to receive a credit against any state tax for which they may have been liable. Major investors in the fund ($500,000 or more) were to be seated on the Venture Fund Panel, and, together with gubernatorial appointees from the private sector and ex officio public officials, would have had the responsibility for general administration of the fund and the selection of a firm to manage the day-to-day operations of the fund.

"Small businesses" employing less than 500 people, manufacturing firms with less than $1 million of capitalization, and manufacturing firms with less than $3 million of investment were to receive 75 percent of the proceeds from the fund. The remaining 25 percent was available for investment at the discretion of the panel, with no more than 20 percent of the total to be in agribusiness or agriculturally-related ventures.

Unfortunately, no money was raised for the fund.

As reported by staff of the Kentucky Economic Development Finance Authority, flaws in the legislation authorizing the fund were the stumbling block.[17] A task force created by the Economic Development Cabinet is in the process of developing suggestions for rectifying the Venture Fund law, and will forward its recommendations to the 1996 General Assembly. The Commissioner of the Department of Financial Incentives anticipates the creation of a successful Venture Capital Fund if the task force's recommendations are followed.[18]

RECOMMENDATION 6.6: That the Kentucky General Assembly enact legislation to establish a viable, state-wide venture capital fund, with entrepreneur identification and technical assistance similar to that provided by the Kentucky Highlands Investment Corporation.

Venture capital will fill a void in the state's economic development system. While the state has been highly successful in recruiting established businesses to Kentucky, and while several large, Kentucky-based operations have been successfully developed, mainly as the result of the vision of a few individuals, the government's success in developing small businesses has been less noteworthy. Absent the efforts of the Kentucky Highlands Investment Corporation (a regional entity with no formal ties to Kentucky government), the Commission did not observe any major, concerted effort to identify or encourage local entrepreneurs.

The success of Kentucky Highland Investment Corporation can be attributed as much to its entrepreneur identification and selection process, and technical assistance in business planning and marketing, as to the availability of venture capital. The Corporation locates aspiring entrepreneurs, selects those who are most promising, finances the business, and provides continuing technical assistance. In some cases the Corporation takes an equity position in the business, and, as an owner, participates in management decisions. Kentucky Highlands refers to the entire system as "developmental venture capital." It is this approach that the Commission recommends be adopted by the state's venture capital fund.

The founder of the Christian Appalachian Project suggested to the Commission that greater effort should be made to establish smaller businesses, offering only a few jobs, rather than trying to attract large corporations with large numbers of jobs. He said that the development of smaller businesses, offering products or services indigenous to the area, has a greater potential for the creation of jobs in rural areas, particularly in Kentucky's Appalachian counties, than the often futile attempts to bring in large firms. Smaller business, he said, are also more likely to remain in the state than larger, more mobile firms. Venture capital, correctly applied, will provide the necessary funding for the types of businesses of which he speaks.

Special Topics of Interest

Public-Private Partnerships

The founder of the Christian Appalachian Project also spoke of the need for public-private partnerships to foster economic development. Specifically, he explained that the state should join organizations like his to identify entrepreneurs in Kentucky's smaller communities who could become the focal point for the development of small businesses. He said that private venture capital is available through nonprofit organizations like the Christian Appalachian Project; the difficulty is in identifying qualified entrepreneurs. Further, the state could help insure the success of small local businesses, The Founder explained, by identifying volunteers who could assist an entrepreneur in starting a business. He noted that no such effort by the state is currently in place.

RECOMMENDATION 6.7: That the General Assembly authorize and fund an Office of Public-Private Partnerships to work with local, nonprofit organizations to identify local entrepreneurs, indigenous services and products, and to match venture capital with the prospective business venture.

The Office could be part of the Venture Capital Fund or independent of the Fund. In the latter case, the Office should be organized within the Cabinet for Economic Development.

Other Investment Capital

While a Kentucky Venture Capital Fund should serve as a source of funding for small, high-risk business ventures, the Commission believes that other opportunities also exist for capital investment in smaller businesses. The Commonwealth traditionally utilizes a number of state banks as depositories for its funds. The rate of interest paid to the state by the depositories for the use of the funds is generally below the market rate paid to other depositors. The Commission believes that as a concession for the below-market rates of interest, the state should require the depositories to make loans available to small businesses which otherwise would have difficulty in securing loans from other commercial lenders.

RECOMMENDATION 6.8: That the General Assembly enact legislation to create a Linked Deposit Program for loans to small businesses. Emphasis should be placed on loans to minority-owned businesses.

The portfolio of loans to small businesses through the Linked Deposit Program should be in an amount equal to the average amount of state funds on account in the depository. Individual loans should be capped at an amount sufficient to provide adequate funding to a small business, but in an amount to reduce the depository's exposure from any one loan and to maximize the number of businesses served through the Linked Deposit Program.

Other Economic Development

In 1992 the Kentucky General Assembly created the Local Governments Economic Development Fund. The Fund was scheduled to eventually receive and retain 38 percent of the state's receipts collected from the coal severance and processing taxes. Moneys in the Fund are allocated to coal-producing counties according to a three-factor formula. Use of the allocated funds is restricted to "industrial development projects" to promote manufacturing, processing, or assembling operations.[19] None of the moneys may be used under current law for community development, other than that related to site preparation and the construction of industrial facilities.

RECOMMENDATION 6.9: That the General Assembly amend KRS 42.4588 to permit the construction of facilities to provide water and sewer services to residential housing and existing commercial and industrial facilities not contemplated within the current statute.

The Commission believes that successful economic development is dependent, to a great extent, upon the quality of life available within the community. Many of the state's rural areas and many of the state's smaller urban areas lack services as basic as water and sewer facilities. The absence of such services is prevalent in Kentucky's coal-producing counties, particularly those counties located in the eastern part of the state. It is the Commission's position that the presence of water and sewer services in communities where they are not presently available will make those communities more attractive for the relocation or development of industry.

Employee Benefits

The Commission believes, as stated in Chapter 4, that affordable dependent care, the availability of transportation, and employer-subsidized health care are essential to enabling many persons currently unemployed and living in poverty, to "afford" a job and overcome poverty. The Commission has supported its belief by recommending tax credits for the establishment of dependent care facilities or the subsidizing of dependent care expenses,[20] grants to public transportation agencies for the planning of employment-targeted routes and schedules,[21] and the linking of employer-furnished dependent care, health care, and transportation to the selection of firms to receive state loans or grants.[22]

The Commission believes, however, that the publicizing of these and other incentives, e.g., the income-tax credit awarded for premiums paid by employers into a health care trust, and the furnishing of information to business about the approaches, alternatives and means to providing employee benefits, will be necessary to realize their full development.

RECOMMENDATION 6.10: That the General Assembly authorize and fund an Office of Employee Benefits to work with current and prospective employers to provide dependent care, transportation, and health care, and other employee benefits, to their employees.

The most logical fit for the office would appear to be within the Cabinet for Economic Development, although the Cabinet for Human Resources would be an alternative site. The mission of the office would be to encourage employers to provide employee benefits, particularly dependent care, transportation, and health care. The success of the office would be measured by the number of employees receiving the benefits. The office would approach its mission by publicizing the tax and other financial incentives to provide employee benefits and by furnishing technical assistance in designing those benefits.

Another Incentive to Employ Targeted Employees

Kentucky's tax code provides an income-tax credit to employers (individual proprietors, partnerships, and corporations) to encourage the employment of the unemployed. Established by the Kentucky General Assembly in 1984, the credit is worth $100 per person hired by the taxpayer who has been classified as unemployed for at least 60 days prior to his employment, and who remains in the employ of the taxpayer for at least 180 consecutive days.[23] The Kentucky Revenue Cabinet estimates that the credit is awarded for the employment of less than 1,000 unemployed persons per year. The Commission believes that this relatively small number is indicative of the fact that the tax credit, at its $100 per person employed level, is not a sufficient inducement to hire and retain the unemployed. Additionally, the Commission believes that whatever tax credit is made available should be extended to include the employment of public assistance recipients.

RECOMMENDATION 6.11: That KRS 141.065 be amended to increase the tax credit awarded for the employment of the unemployed from $100 to $300 per person hired by the taxpayer, and to extend the credit to include the employment of public assistance recipients.

Tripling the amount of tax credit should increase the interest of employers in employing from a targeted workforce. Tripling the award should also serve as a greater inducement to employers to assist their targeted employees in acquiring the skills necessary to remain on the job. The Commission believes, as stated earlier in this chapter, that the state gets a "bigger bang for its buck" when it induces the employment of public assistance recipients. If the added tax credit results in the additional employment of the unemployed or public assistance recipients, the social and financial returns to the state will far exceed in value the $300 credit.

Access by Telephone

A basic component of the job search and employment process is the ability of prospective employers and prospective employees to communicate with one another in a rapid and timely manner. The usual means of communications in these instances is the telephone.

Statewide, 92 percent of all households in Kentucky have a telephone and 94 percent have access to a telephone; however, telephone service to the state's households varies considerably from county to county.[24] In two-third's of Kentucky's counties more than 10 percent of households have no telephone.[25] In 32 counties 15 to 20 percent of households lack service.[26] In 21 counties 20 to

30 percent of the households have no phone.[27]

The counties with the lowest telephone service are rural, and all but two are located in the eastern half of the state.[28] Although there is no county data available detailing access to a phone, it is reasonable to assume that the lowest access rates would also be found in the same low populated counties, with, in some cases, limited road systems. Nationally, the households with the lowest rate of telephone service are the households with the lowest income.[29] The national findings would appear to apply to Kentucky, whose low telephone service counties are also among the state's counties with the lowest per capita income and, not coincidentally, the highest rates of poverty.

The low rates of telephone service impede the employment process in those areas of the state which can least afford a hindrance to prospective employee/employer communications. According to LRC staff analysis, a number of states participate in two national programs, sponsored by the Federal Communications Commission (FCC), designed to reduce the cost of normal telephone installation charges or telephone line charges, and in some instances, have developed their own programs to subsidize the cost of telephone service for low-income families.

Life Line, a plan first approved by the FCC in 1985 and later expanded in 1986, offers a waiver of up to 100 percent of the subscriber line charge to verified eligible customers, with the state offering a matching reduction. Each state submits its proposed Life Line plan to the FCC for certification. Link-Up-America, begun in 1987, provides for a waiver of 50 percent of a telephone company's normal installation charge, up to a maximum of $30. In addition, telephone companies are encouraged to waive deposit requirements or allow deposits to be made in interest-free installments. To qualify, an individual must not be claimed as a dependent for federal income tax purposes (unless over age 60), and must meet local income and eligibility requirements for each state. In the case of either plan, each state submits its proposal to the FCC for certification.

In 1994, 47 states participated in Link-Up-America, 32 in Life Line. The latter group of states also participated in Link-Up-America. In addition to their involvement with one or both of the national programs, 20 states offer their own cost-of-service reduction programs. Kentucky participates in Link-Up-America, but not Life Line, and does not offer its own program.

A variety of sources are utilized by the various states to fund their matching share in Link-Up-America or Life Line, or the cost of their own program. The most popular funding sources are a surcharge on telephone service rates, a tax credit offered to telephone companies, or a tariff imposed upon telephone service usage.

RECOMMENDATION 6.12: That the General Assembly develop a plan for participation in *Life Line*, with mandatory participation by each telephone company operating within the state. The Commission further recommends that the General Assembly consider the development of a Kentucky program to assist the unemployed or AFDC recipients who otherwise would not qualify under either of the two national programs.

In addition to obvious safety and health considerations, the Commission believes it is important that every family in the state have telephone service for job acquisition purposes. The benefits of developing a qualified workforce (see Recommendation 6.14) would be diminished if some of the most needy individuals lacked the necessary access to job opportunities. The Commission has no recommendations as to sources of funding, but suggests that a subsidy by regular telephone customers would be justified under safety and health considerations, or a general state subsidy through tax credits or a direct appropriation would be justified as an economic development tool.

Affirmative Action

To ensure equal opportunity for the employment of members of racial minorities and women, Kentucky has developed a series of programs which address equality of opportunity in preparation for employment, as well as in the process of employee selection and retention. Included are affirmative action provisions relating to state government employment, participation in membership of state boards and commissions, recruitment for teacher training and health profession education, and funding for attendance at institutions of higher education.

Contractors doing business with the state must comply with the Kentucky Civil Rights Act, and their workforce must reflect the minority population in the drawing areas. Minority-owned businesses are provided special assistance through the Economic Development Cabinet's Department for

Existing Business and Industry. And in compliance with federal law, 10 percent of federal highway funds are set aside for minority and women-owned businesses. The Commission believes that these and the many other affirmative action programs required by state law are helping to ameliorate poverty.

The Commission was concerned, however, that the recent U.S. Supreme Court holding in *Adarand Constructors v. Pena* (1995) might erode the effectiveness of Kentucky's affirmative action initiatives. Although Adarand only addressed federal programs, and merely stated that affirmative action programs, when challenged, would be subject to a strict review, the Commission was concerned that the negative publicity resulting from the courts' decision might undermine the state's commitment to affirmative action.

RECOMMENDATION 6.13: That the General Assembly reaffirm its commitment to affirmative action and explore ways to strengthen Kentucky's Affirmative Action Plan for state government.

The Commission determined that, in light of the *Adarand* decision, efforts should be taken to preserve and even strengthen affirmative action programs in Kentucky. Although *Adarand* did not render federal affirmative action programs unconstitutional, at least one observer believes that it essentially ". . . cut the legal legs out from under dozens of federal affirmative action programs."[30] As a result, it is possible that state programs, including Kentucky's affirmative action plan, will sustain more legal attacks in the future. The Commission believes that reducing or eliminating these programs will hamper Kentucky's ability to reduce poverty. Hence, the General Assembly should show its full support of affirmative action programs and develop ways to protect and strengthen them.

Economic Development and the Future

The Commission recognizes that many of the foregoing recommendations assume a system of economic development similar to that presently in place. Lest the reader think that the Commission believes that the current system will satisfy Kentucky's economic development needs in the future, it hastens to proclaim that it doesn't.

The Commission's view is reflected in the writings of several authors, including Peter Drucker, who points out in his 1993 book, *Post-Capitalist Society*, that concomitant with the virtual disappearance of unionized labor we have moved into an 'employee society' where labor is no longer an asset."[30] He asserts that the Japanese understand this fact, whereas Americans do not. "Japanese companies are moving manual work in manufacturing out of Japan as fast as they can. In the United States, manufacturing jobs are seen as a priceless asset. In Japan, they are seen more and more as a liability."[31]

He cites Kentucky and Tennessee as examples of "poor rural states" which are "desperately trying to attract manufacturers who offer blue-collar jobs", and in doing so they end up competing against Third World nations which have an ample supply of young people who are qualified for nothing but manual work in manufacturing.[32] He states:

> **Economically as well as socially, it would be much more productive — the Japanese argue — to put the money spent to create blue-collar jobs in developed countries instead into advancing the country's education, and thus to ensure that youngsters learn enough to become qualified for knowledge work, or at least for high-level service work.[33]**

Drucker asserts that there is a place for manufacturing in developed countries, but manufacturing should be along the line of the state-of-the-art, high tech minimill steel plants.[34] He writes:

> **If a country has the knowledge base, it will also manufacture. But this manufacturing work will not be competitive if carried out by traditional blue-collar workers who serve the machine. In competitive manufacturing, the work will largely be done by knowledge workers whom the machine serves — as computer consoles and computerized work stations serve the ninety-seven technicians in a steelmaking minimill.[35]**

He says further, "Manual labor in making and moving things is rapidly becoming a liability rather than an asset. Knowledge has become the key resource for all work."[36] He concludes, "The only long-term policy which promises success is for developed countries to *convert manufacturing from being labor based into being knowledge based.*"[37]

Carl Rist, a policy analyst for the Corporation for Enterprise Development, Washington, D.C., typifies many who have examined the phenomenon of "smokestack chasing" and "bidding for business" — the so-called new "War Between the States."[38] In a recent study, Rist says that the costly incentives are "marginally effective at best and inconsequential at worst."[39] Rist advises that the states would be better off investing in people, technology, existing businesses and infrastructure, the kinds of things that attract new businesses in the first place.[40]

Mark Memmot, economic analyst for "USA Today," suggested in his September 18, 1995, column that the way we define wealth and capital needs broader interpretations and must include human capital - "the productive value of people," and social capital - "the value of families, communities, and the other organizations that glue a society together."[41] These, along with natural capital (land, minerals, and other natural resources), financial capital, and produced assets — the traditional "goods and services" — constitute what we call wealth.[42] Memmot asserts, "For nations that aren't blessed with abundant natural resources, the key to becoming wealthy lies in their people."[43]

The Commission believes that tomorrow's successful system for economic development will be characterized by a well-educated, well-trained workforce, produced by an enlightened elementary, secondary and post-secondary system of education, and supported by research centers devoted to furthering the ability of industry to design and manufacture new and innovative products at low cost and high quality.

RECOMMENDATION 6.14: That the General Assembly create a Task Force on Technology and Human Development to identify and recommend the means for developing a technology and workforce base which will attract state-of-the-art manufacturing and services industries.

The mission of the Task Force would be to develop the Commonwealth's strategy for competing in the national and world economies in the twenty-first century. Specific objectives of the Task Force would include:

- ❐ Defining the meaning of economic development to reflect Kentucky's strategy for the future,
- ❐ Devising elementary and secondary school curriculums that would give students the necessary background to qualify for high tech jobs and would meet the entrance requirements for post-secondary schools,
- ❐ Ensuring that vocational school curriculums relate to modern industry needs, and
- ❐ Identifying centers for research in technology applicable to the manufacturing and service industries targeted in the state's economic development plan.

ENDNOTES

1 *See Finding, Chapter 2, p. 16, this report.*

2 *Bruce P. Ely,* State Tax Notes, *Vol. 8, No. 2 (Arlington, VA: State Tax Analysts, 15 May 1995), p. 1988.*

3 *Letter from Larry Brown, Frankfort, KY, 4 August 1995.*

4 *Ibid.*

5 *Ibid.*

6 *Ibid.*

7 *Ibid.*

8 *Bluegrass State Skills Corporation was established by the General Assembly in 1984 to provide training for employees hired by new or expanding Kentucky businesses. The Corporation has a budget of $6.5 million for FY 96.*

9 *Letter from Larry Brown, Frankfort, KY, 4 August 1995.*

10 *Ibid.*

11 *Ibid.*

12 *Ibid.*

13 *This section is based largely on an unpublished report entitled* The Kentucky Highlands Investment Corporation: A 25-Year Impact Statement *(1993), written by Tom Miller.*

14 *KHIC has three "for-profit" subsidiaries: a small business investment corporation, an industrial real estate development corporation, and a management consulting company. The figures cited here take into account the dollar-value of these subsidiaries.*

[15] *Jim Jordan, "Venture Fund Enriches Appalachia,"* The Lexington Herald-Leader, *4 June 1990, pp. D1, D10, D11, D14.*

[16] *KRS 154.20-300 to 154.20-390.*

[17] *Telephone conversation with David Bratcher, Director of Grant Programs Division, Department for Financial Incentives, Cabinet for Economic Development, July 1995*

[18] *Letter from Larry Brown, Frankfort, KY, 4 August 1995.*

[19] *KRS 42.4588.*

[20] *See Chapter 4, this report.*

[21] *Ibid.*

[22] *See Recommendation 6.5, this chapter.*

[23] *KRS 141.065.*

[24] *Alexander Belinfante,* Telephone Subscribership in the United States *(Washington, D.C.: Federal Communications Commission, 1995), p. 14.*

[25] *U.S. Census of Housing,* Detailed Housing Characteristics, *1980, 1990.*

[26] *Ibid.*

[27] *Ibid.*

[28] *Ibid.*

[29] *Alexander Belinfante,* Telephone Subscribership in the United States *(Washington, D.C.: Federal Communications Commission, 1995), pp. 20-32.*

[30] *David G. Savage, "Rebuilding Affirmative Action: The Court Mandates 'Strict Scrutiny' for All Official Race-Based Programs," ABA Journal, 81, (August 1995), p. 42.*

[31] *Ibid, p. 70*

[32] *Ibid.*

[33] *Ibid, p. 71.*

[34] *Ibid, pp. 72-74.*

[35] *Ibid, p. 73.*

[36] *Ibid, p. 74.*

[37] *Ibid.*

[38] *Doug Sword, "Toyota Incentive Won't Be Huge,"* The Evansville Courier, *24 September 1995, A1, A3. Doug Sword, "Smokestack Chasing' Has Political Fallout,"* The Evansville Courier, *24 September 1995.*

[39] *Ibid.*

[40] *Ibid.*

[41] *Mark Memmott, "Redefining the Wealth of Nations,"* USA Today, *18 September 1995, 4B.*

[42] *Ibid.*

[43] *Ibid.*

CHAPTER VII

EMPOWERING POOR CHILDREN AND ADULTS: KENTUCKY'S EDUCATION, VOCATIONAL AND LITERACY PROGRAMS TARGETING THE ECONOMICALLY AND EDUCATIONALLY IMPOVERISHED

Poverty, lack of education or training, and unemployment are related conditions. According to a report from the Department for Adult Education and Literacy, in the Workforce Development Cabinet:

> **poverty continues to be a challenge for Kentucky. Of those adults who have not completed high school, 42 percent are at or below 100 percent of the poverty level; 33 percent are at or below 125 percent of the poverty level. Many of those living in poverty are also unemployed or underemployed.[1]**

There are numerous educational, vocational, and literacy programs targeted in some way to poor youth and adults in Kentucky. The vast majority and most significant of the programs which address pre-elementary, elementary, secondary and postsecondary vocational students are federal initiatives, dependent almost entirely upon Congressional funding. Adult programs are a mixed bag, some relying upon federal moneys, others upon state appropriations.

The programs dealing with pre-school and student age youth, other than those who are college bound, and educationally deprived adults, are dealt with in this chapter. Chapter VIII discusses the programs which address higher education enrollees, or those aspiring to a college or university education.

Education Programs for the Economically Disadvantaged

Head Start[2]

Originally created by the Office of Economic Opportunity in 1965, Head Start is a federally-funded preschool program for children from low-income families. Currently, it is run by the Administration for Children, Youth, and Families (ACYF) in the Department of Health and Human Services. The ACYF gives grants to local non-profit organizations which operate this program on the community level. Head Start's purpose is to curb the intergenerational transmission of poverty by providing poor children with a comprehensive program to meet their emotional, social, health, nutritional, and psychological needs. Among other things, these children participate in various educational activities, receive free medical and dental care, and are served healthy meals and snacks.

Sixty-six percent of families participating in Head Start on the national level have incomes of less than $9,000 per year, and 83 percent have yearly incomes of less than $12,000.[3] Kentucky's Head Start budget for FY 95 was approximately $54.3 million.[4] These funds enabled local agencies to serve 14,071 children.[5] According to Ketucky's Head Start Program Coordinator, this program may not be able to serve as many children in the near future if Congress approves proposals to reduce Head Start funding for FY 96.[6]

The Improving America's Schools Act

Originally established in 1965 as part of President Lyndon Johnson's War on Poverty, Congress reauthorized the Elementary and Secondary Education Act of 1965 as the Improving America's Schools Act of 1994. Under Title I - Helping Disadvantaged Children Meet High Standards (formerly known as Chapter I), the federal government allocates funds to assist low-income schools in meeting the needs of educationally deprived students at the preschool, elementary, and secondary levels. The purpose of Title I is to help eligible children and youth achieve success according to the same standards used for assessing all students. A variety of programs are utilized, including: (1) supplementary instruction in basic and advanced skills; (2) preschool programs; (3) summer school programs; and (4) professional development for teachers. Other, more specialized programs target adjudicated/incarcerated youth and young adults (to age 21) housed in detention centers and prisons. Additionally, the Improving America's Schools Act allows for coordination between these and other programs, such as Head Start, special education, and bilingual education programs, which address the needs of educationally deprived children.

States may issue two types of grants under Part A of Title I.[7] A local educational agency or LEA is eligible for a basic grant if there at least 10 students whose families live in poverty and who currently reside in the school district, or the number of poor students is greater than 2 percent of the district's total population aged 5 to 17 years.[8]

According to the Division of Program Resources in the Kentucky Department Education, all 176 school districts in Kentucky are eligible for basic grants.[9] Concentration grants are given to LEAs if at least 6500 poor students reside in their respective districts, or 15 percent or more of the total population of students aged 15-17 live in poor families.[10] The Kentucky Department of Education monitors school districts receiving Title I grants, in order to ensure compliance with federal spending guidelines.

After a school district is determined to be eligible for Title I funds, the individual schools in the district are ranked according to their level of poverty as determined by the free and reduced-price meals they serve. An income level of $19,695 for a family of four establishes eligibility for free meals and an income level of $28,028 establishes eligibility for reduced-price meals. Based on these criteria, there were 1059 schools that received Title I money (979 public and 80 non-public) in 1994-95. A total number of 115,136 children were served by this program in the same year (112,023 public, 1,721 non-public, and 1,392 in neglected/delinquent programs).

An important aspect of Title I is the concern for the psychological well-being of poor children. Traditionally, these students are stigmatized because of their clothing and general appearance. School counselors and consultants assist these students in a discreet manner so as not to bring attention to them, according to the Director of the Division of Program Resources in the Kentucky Department of Education. He also testified that poor students more readily "blend in" to the mainstream after receiving clothing and medical assistance from these counselors.

Most Kentucky school districts have applied for and received Title I funds in recent years.[11] In 1993-94, Title I programs were available in 175 of 176 districts.[12] In terms of overall funding, schools receiving basic and/or concentration grants were given $104,991,466 in 1993-94. This amount increased to $115,497,320 in the 1994-95 school year. The Director of the Division of Program Resources also testified that counties with high poverty rates are applying for and utilizing Title I funds.

Federal funds are also made available to states through Title II of the Improving America's Schools Act of 1994. Also known as the Eisenhower Professional Development Program, Title II grants money for use in professional development activities for teachers and other educators. States must allocate approximately 84 percent of Title II money to local school districts[13] for development activities in English, Civics and Government, Foreign Languages, Arts, Geography, History, Economics, and especially Mathematics and Science.[14] The remaining 16 percent is given to state agencies responsible for higher education.[15]

The Eisenhower Program suggests that states target historically underrepresented groups in operating this program. It recommends that each state

> **... take into account the need for greater access to, and participation in, such disciplines by students from historically underrepresented groups, including females, minorities, individuals with limited English proficiency, the economically disadvantaged, and individuals with disabilities ....[16]**

According to recent figures, all 176 school districts in Kentucky received some form of an Eisenhower grant in 1993-94, and most grants ranged from $100 to $25,000.[17] Overall, local grants totaled approximately $2.7 million in 1994-95.[18] These grants benefited 1131 elementary schools (945 public and 186 private/non-profit) and 270 secondary schools during the same period (233 public and 37 private/non-profit).[19]

Another section of the Improving America's Schools Act of 1994 relevant to the Commission's concerns is Title VI - Innovative Education Program Strategies. Title VI is targeted to economically disadvantaged students and students living in sparsely populated areas. Under this legislation, Congress allocates moneys to state education agencies with the requirement that the state pass this money through to local schools. The funding helps these schools in developing new programs, purchasing equipment, training teachers, and other activities designed to enhance the educational opportunities for economically disadvantaged students in preschool through high school.

In 1993-94, Title VI funding enabled public and private schools to serve 46,641 students in preschool through high school.[20] The majority of students were in public elementary (20,715) and public secondary (25,009) schools.[21] A total of 179 LEAs participated in this program — 109 of which received funding because of the greater proportion of poor students in their districts.[22] Overall, Kentucky received approximately $5.3 million in Title VI funds in FY 95, according to the Division of Program Resources in the Kentucky Department of Education.[23]

The Stewart McKinney Homeless Assistance Act

There are an estimated 45,000 homeless people in Kentucky and almost 6,000 are children and teenagers.[24] Approximately 3,500 of the estimated 6,000 homeless young people live "doubled-up" with friends and relatives.[25] The remainder live in urban and rural areas in public or private shelters, runaway shelters, spouse abuse or domestic violence shelters, subsidized hotels or motels, and substandard, dilapidated housing units.[26]

Homeless students are most at-risk of failing in school..[27] The Stewart McKinney Homeless Assistance Act of 1994 is part of an effort to improve the education given to homeless students by attempting "... to ensure that all homeless children and youth have equal access to the same free, appropriate public education, including public preschool education, provided to other children and youth."[28] Under Title VII Subtitle B - The Education for Homeless Children and Youth Program, states receive funds with which to give grants to LEAs. In 1994-95, grants to LEAs ranged in size from $10,000 to $60,000.[29]

The number of students served by the McKinney Act has increased steadily over the last three years. LEAs that received funding served 2,650 and 3,000 students, respectively, in 1993-94 and 1994-95.[30] According to projections for the current school year 1995-96, 4,000 homeless students will be served.[31] Students in both urban and rural areas benefit from the McKinney Act. In 1994-95, LEAs in Jefferson, Fayette, and Kenton Counties received grants, along with LEAs in Christian, Fulton, Greenup, Letcher, McCreary, Daviess, Rowan and Warren Counties. Kentucky's share of federal funding under the McKinney Act has increased over the last few years (from $364,465 in 1993-94 to $512,739 in 1995-96).[32]

RECOMMENDATION 7.1: That the current service levels of Kentucky's Head Start Program be maintained for every eligible child.

The Commission considers the Head Start Program to be one of the most valuable programs utilized by the Commonwealth to address the needs of the state's economically disadvantaged students. The Commission believes valid the proposition that students beginning their formal education deprived of experiences or exposure to information equal to that of their peers may never achieve their full learning potential. The Head Start Program attempts to compensate for these deficiencies.

In recognition of the threatened reduction of federal funding for the Head Start Program, the Commission recommends the maintenance of current service levels, either through increased state or local funding, or increased administrative efficiency, or through a combination of those means.

Vocation Programs for the Economically Disadvantaged

The Carl Perkins Vocational and Applied Technology Education Act

This legislation, reauthorized in 1990, has provided secondary, postsecondary, and adult vocational programs in Kentucky with federal assistance since 1991. The focus is on program improvement and "special populations," including the poor, the disabled, foster children, and those with limited English proficiency.[33] Under Title II, the Perkins Act allocates money in the form of basic state grants to support secondary, postsecondary, and adult vocational programs.[34] The High-Schools-That-Work program (discussed below) also receives funding under the Act. Title III earmarks funding for "special programs," such as Consumer and Homemaking Education, Career Guidance and Counseling, and others, including Tech Prep Education (discussed below).[35] Assistance with dependent care, transportation, and tuition are also provided by this legislation.

Table 7.1
Summary of Selected Federally-Funded Education Programs Targeted to the Economically Disadvantaged

Program	Purpose
Head Start	To curb the intergenerational transmission of poverty by providing health, nutrition, and education programs for 3- and 4-year-old children of low-income families
Improving America's Schools Act	To ensure a fair and equal opportunity for individuals to obtain a high-quality education
Title I - Helping Disadvantaged Children Meet High Standards	To assist preschool, elementary and secondary schools with populations of low-income students in meeting the academic, social, and psychological needs of these students
Title II - Eisenhower Professional Development Program	To enhance the training of elementary and secondary school teachers in various subjects, especially mathematics and science, and thereby improve the quality of instruction targeted to historically underrepresented groups, particularly the poor
Title VI - Innovative Education Program Strategies	To enhance the educational opportunities of preschool, elementary, and secondary students in poverty, and of those living in sparsely populated areas, by granting money to local school districts for: the creation of new programs targeted to poor students, equipment purchases, and professional development activities
Stewart McKinney Homeless Assistance Act	To ensure that all homeless students in preschool through high school have equal access to a public education

Source: Division of Program Resources, Kentucky Department of Education (1995)

During 1994-95, approximately 260,000 course hours were offered to students in secondary vocational and high schools through vocational-technical programs supported by Perkins funding. An additional 29,000 students participated in postsecondary vocational education programs funded by the Perkins Act in 1994-95. Continuing Education programs served 78,000 students during the same year. Kentucky's share of 1995-96 Perkins funding is approximately $19.1 million, according to the Director of the Division of Federal Programs and Support Services in the Workforce Development Cabinet.[36]

Each program under Titles II and III of the Perkins Act serves some segment of the population in poverty. The preparatory services program for single parents, homemakers, displaced homemakers, and single pregnant women had the highest percentage of poor participants, with 70 percent meeting federal poverty guidelines in FFY 1994.

According to the Workforce Development Cabinet, the Perkins Act will expire in June 1996 and, as of this writing, there was no movement in Congress to reauthorize this legislation as a categorical program.[37]

Job Training Partnership Act (JTPA)[38]

Congress amended this legislation in 1992 in order to improve the services delivered to economically disadvantaged individuals. Title II of JTPA covers three major programs: the Adult Training Program, the Summer Youth Employment and Training Program, and the Youth Training Program. The goal of the *Adult Training Program* is to prepare adults for participation in the labor force by increasing their occupational and educational skills, resulting in improved long-term employability, increased employment and earnings, and reduced welfare dependency. Individuals are eligible for this program if they are 22 years old or older and economically disadvantaged. This program contains a provision targeting services to "hard-to-serve individuals" who fall into one or more of the following categories: basic skills deficient, school dropouts, recipients of cash welfare payments, criminal offenders, disabled, or homeless. In 1994-95, the Adult Training Program had a budget of approximately $16.6 million and served nearly 6,000 Kentuckians, according to the Program Advisor and the Executive Director of the Office of Training and Reemployment in the Workforce Development Cabinet.[39]

The *Summer Youth Employment and Training Program* provides funding for qualifying state and local programs. The program's goals are: (1) to enhance the basic educational skills of youth; (2) to encourage school completion or enrollment in supplementary or alternative school programs; (3) to provide youths with exposure to the world of work; and (4) to enhance citizenship skills. Young people are eligible for this program if they are between the ages of 14 and 21 (inclusive) and are economically disadvantaged. According to the Workforce Development Cabinet, this program had a budget of approximately $9 million in FY 95, and 9,095 youth across Kentucky were served between October 1993 and October 1994.

The *Youth Training Program* is designed to: (1) improve the long-term employability of young people; (2) enhance their educational, occupational, and citizenship skills; (3) encourage school completion or enrollment in alternative school programs; (4) increase their employment and earnings; (5) reduce welfare dependency; and (6) assist them in addressing problems that impair their ability to make successful transitions from school to work, an apprenticeship, the military, or postsecondary education and training. The Youth Training Program focuses on four particular groups, each having separate eligibility requirements.

The first group is made up of "in-school youth" who may participate in this program if they are between 16 and 21-years old (inclusive) and are economically disadvantaged. "Hard-to-serve individuals who are in-school youth" are eligible for the Youth Training Program if they fall into one or more of the following categories: (1) are basic skills deficient; (2) are currently in a grade level that is one or more levels below the grade level appropriate to their age; (3) are pregnant or parenting; (4) are disabled (including learning disabled); (5) are homeless or runaways; or (6) are criminal offenders. The third group is comprised of "out-of-school youth," who are eligible if they are between 16 and 21-years old (inclusive) and are economically disadvantaged. Lastly, "hard-to-serve individuals who are out-of-school youth" are eligible if they fall into one of the categories associated with the second group and are obviously out of school. According to the Workforce Development Cabinet, close to 5,000 young people participated in the Youth Training Program in 1994-95. The program had a budget of approximately $10 million during the same year.[40]

The Executive Director of the Office of Training and Reemployment in the Workforce Development Cabinet explained that JTPA is administered through local service delivery areas, with the Workforce Development Cabinet serving as a liaison to the Kentucky Department of Education. In Kentucky, a governing council exists in each service delivery area. Termed "private industry councils", the majority of their membership is made up of representatives of private industry, but public officials also belong to the councils. According to a representative of the Workforce Development Cabinet, "... the local private industry councils [are]in a unique position to evaluate what is needed in the local area to serve the targeted individuals" living there.

The School-to-Work Program[41]

School-to-Work is a statewide system designed to establish a community partnership driven system of education and skill development which ensures that all individuals can successfully compete in a global economy as lifelong learners and workers. It will provide all students with information or experience about careers which they may wish to pursue, while raising academic standards for all students. The system's chief goal is to prepare all students for a broad array of career options through high-level academics and applied learning opportunities. In pursuit of this objective, students in kindergarten through the postsecondary level are exposed to three core components of the School-to-Work "System": school-based learning, work-based learning, and connecting activities. *School-based learning* includes career awareness, career exploration, counseling, and a coherent multi-year sequence of instruction beginning no later than the eleventh grade and ending after at least one year of postsecondary education.

Created in 1990 under the Perkins Act (reviewed earlier), the *Tech Prep Program* is an example of school-based learning. It allows students to blend the last two years of high school with the first two years of postsecondary education into a coherent program of study, providing a common core of proficiency in mathematics, science, communications, and technology. Students completing Tech Prep receive an associate degree or certificate in a career field and may choose to continue their education by pursuing a bachelor's degree. The program had a budget of $1.96 million for 1994-95 and served approximately 14,000 students in 1993-94.[42]

Work-based learning involves work experience, structured training, and mentoring at job sites. It provides students with a planned program of job training and experiences relevant to a career, and leads to the reward of a skill certificate, paid work experience, workplace mentoring, and instruction in general workplace competencies.

The final core component involves *connecting activities*, activities linking work-based and school-based learning. Examples include: teachers meeting directly with participating businesses; staff development for teachers; and assistance to students completing the program in finding appropriate employment.

State officials have divided the state into 22 labor markets, in order to successfully implement the School-to-Work System. Each market area is responsible for developing a partnership council composed of representatives from business and industry, elementary schools, middle schools, high schools, adult and postsecondary schools, community-based organizations, and parents and students. These councils must apply for "capacity-building grants" from the state in order to facilitate the development of preliminary stages of the School-to-Work System. "Implementation grants" allow councils to actually begin the initiative in their areas.

Kentucky was one of eight states chosen to participate in School-to-Work and has been granted $24 million in federal funds to implement the program over a five-year period, according to the System Coordinator of the Kentucky School-to-Work Program.[43] An additional 19 states will begin implementing this program in the 1995-96 school year.[44] The Director of Secondary Vocational Education in the Kentucky Department of Education testified that over half of all school systems in Kentucky will be participating in the School-to-Work System by 1996. Also, he stated that 22 partnership councils have formed, and 18 of them are receiving implementation grants. In terms of labor-market-area participation, four areas are in capacity building. The Executive Director of School-to-Work[45] testified that Area 5 (Henderson, Union, and Webster Counties), Area 17 (Bell, Clay, Knox, Laurel, McCreary, and Whitley Counties), and Area 20 (Fleming, Lewis, and Mason Counties) are receiving capacity-building grants and are not prepared to fully implement the system. She maintained that Areas 17 and 20, in particular, badly need to implement the School-to-Work System in order to assist the high percentage of poor students living there. According to the System Coordinator, schools in these areas are in the process of familiarizing teachers with School-to-Work and will implement the system by October 1, 1996.[46]

High-Schools-That-Work

Created by the Southern Regional Education Board, High-Schools-That-Work is a program designed to strengthen the curricula of vocational schools around the nation. Specifically, it blends academic courses and modern vocational studies in order to raise the achievement of career-bound high school students. Another goal of High-Schools-That-Work is to combine the basic content of traditional college preparatory English, mathematics, and science courses with vocational studies, thereby creating a curriculum that more fully prepares career-bound students for the workforce. As stated earlier, this program is funded by the Perkins Act and has a budget of $131,500 for 1995-96, according to the Branch Manager in the Division of Secondary Education in the Kentucky Department of Education.[47] Approximately 15,000 students participated in this program in the 1994-95 school year.[48] Officials anticipate serving 25,000 students in 1995-96.[49]

School-to-Work, Tech Prep, and High-Schools-That-Work are closely related, in that all three integrate academic and occupational learning, and involve career exploration and the development of career plans. The curriculum for each program includes such workplace competencies as critical thinking, problem-solving and teamwork. Although these programs share substantial similarities, there are a couple of major differences. First, work-based learning is required in the School-to-Work Program, while it is only recommended and encouraged in the Tech Prep and High-Schools-That-Work programs.

Second, the High-Schools-That-Work Program only operates in 19 states, while School-to-Work will be implemented in all 50 states within the next several years. While some overlap exists between these programs and Tech Prep, it is minimized due to coordination among officials representing all three. Also, any overlap is not likely to last very long. The federal government will cease to fund School-to-Work in five years. After this time, program officials hope that it will be a common element of the public elementary and secondary school curricula and no longer require continued funding.[50]

RECOMMENDATION 7.2: That the General Assembly enact legislation to mandate the adoption of the School-to-Work System.

The Commission was disappointed to learn that just more than half of Kentucky's school districts will have implemented the School-to-Work System by 1996, and that several school districts with a high percentage of economically disadvantaged students are unprepared to participate in the System. The Commission believes that the School-to-Work System reaches a sizable group of students, both poor and nonpoor, who otherwise would be effectively ignored in more formal academic pursuits.

Adult Education and Literacy Programs for the Economically Disadvantaged[51]

Gateway Grants

Gateway Grants are competitive 2-year grants to public housing authorities for adult education and literacy programs. Each year $150,000 is set aside for Gateway Grants under regulations set forth by the National Literacy Act (1991); grantees agree to educate participants 16 or older who are not enrolled in a regular secondary school program and who have not earned a high school or equivalent diploma. Participants who have a high school credential, but who score below 11.9 on the Test of Adult Basic Education, may receive remedial academic instruction as well. Currently, housing authorities in the following cities are receiving Gateway Grants: Frankfort, Georgetown, Lexington, London, Owingsville, Russell, and Russellville.[52]

Kentucky housing authorities received $166,426 from the Kentucky Department of Adult Education and Literacy in FY 1995, but grantees spent only $114,400 of this amount, according to the Coordinator of the Kentucky Gateway Grants Program.[53] The seven housing authorities mentioned

Table 7.2
Summary of Selected Federally-Funded Vocational Programs Targeted to the Economically Disadvantaged

Program	Purpose
Carl Perkins Vocational and Applied Technology Act	To enhance the education of secondary, postsecondary, and adult vocational programs, with special emphasis on those targeted to "special populations," including the poor
Title II - High Schools That Work	To prepare career-bound students for the workforce by exposing them to a blended curriculum of modern vocational studies and academic courses
Title III - Tech Prep	To prepare career-bound students by creating a coherent program of study in which the last two years of high school are combined with the first two years of postsecondary vocational education
Job Training Partnership Act	To enhance the employment opportunities of citizens, particularly the unemployed, the poor, and youth
Title II (A) - Adult Training Program	To prepare adults for participation in the labor force by increasing their occupational and educational skills
Title II (B) - Summer Youth Employment and Training Program	To enhance the basic educational skills of youth, encourage school completion, and provide exposure to the world of work
Title II (C) - Youth Training Program	To improve the educational and occupational skills of youth and help them make a smooth transition from school to work
School-to-Work*	To prepare students for a first job in a high-skill, high-wage career, increase their opportunities for further education, and help them make a successful transition to the workforce.

Source: School-to-Work Office and the Office of Training and Reemployment, Workforce Development Cabinet (1995

*** Although this program is not directly targeted to poor students, it has been included for reasons previously stated.**

previously served 151 persons in FY 1995.[54] According to the Program Coordinator, educational providers in Lexington and Russellville have recently voluntarily withdrawn from the program for various reasons.[55] Further, he stated that the Kentucky Department of Adult Education and Literacy has awarded $91,027 for FY 1996 and that the remaining providers anticipate serving 200 students in the coming year.[56]

The Parent and Child Education Program

Technically speaking, the Parent and Child Education Program (PACE) is not targeted to economically disadvantaged persons; it focuses upon those who need reading and writing instruction and includes parents lacking a high school credential or functioning below the eleventh grade level. It is included here because of its potential to benefit poor parents in Kentucky.

PACE is one of several family literacy programs operated by the Kentucky Department for Adult Education and Literacy within the Workforce Development Cabinet. It is supported by state funds and is the only statutory family literacy program within the department.[57] This program provides academic and life skills instruction for parents and also offers preschool instruction for children who have not yet entered a formal school. Eligibility for PACE is determined by the parent's education level, *not* by income.[58] Each year, approximately 500 families participate in this program, which had a budget of $1.7 million for 1994-95.[59]

According to the Commissioner for the Department of Adult Education and Literacy, it is crucial that education and literacy programs provide instruction to parents *and* their children. People often cite the lack of funds for at-risk student programs as a major explanation for the significant number of students who drop out of high school. The Commissioner stated that, in fact, the educational level of the *parent* is largely responsible for this occurrence. Parents with few reading and writing skills are more likely to place less emphasis (or no emphasis) on education for their children. Consequently, their children are more likely to quit high school. According to the Commissioner, the key to breaking the cycle of illiteracy and poverty is to provide basic instruction for these parents.

During her testimony, the Commissioner also described the link between antipoverty programs and literacy programs. She testified that people with lower literacy skills are more likely to live in poverty and are less likely to have full-time jobs. Most of these people are not aware that they lack the skills needed to compete in today's job market. Adult education programs are primarily concerned with an adult's ability to be self-sufficient, not simply with helping someone to obtain a General Educational Development Diploma.

The Commissioner highlighted a couple of problems encountered in the area of adult literacy. Kentucky's literacy programs serve approximately 5 percent of the population in need of educational assistance. This figure is based only on the number of adults without a high school diploma, and not on the number of adults who have a high school diploma but no basic skills. According to the Commissioner, due to inadequate program funding, Kentucky is not adequately serving the people who need help the most. The department has contracted with the University of Kentucky to perform a statewide literacy survey to gain a better estimate of the number in need of educational assistance. Results from this survey will be available in January 1996.

The Commissioner also testified that the Department of Adult Education and Literacy's budget is approximately $19 million — a little less than one-fourth of which consists of federal (JTPA) and federal and state (JOBS) funds. She warned that the agency's budget will suffer a significant cut if the federal government reduces JTPA or JOBS spending on adult basic education in the coming months.

RECOMMENDATION 7.3: (a) That the General Assembly appropriate for the 1996-98 biennium funds sufficient to serve at least 25 percent of the most educationally disadvantaged adult population (those who function at grade levels 0 to 8.9, or levels 1 and 2 on the Adult Literacy Survey) in the Commonwealth; and (b) That the Department for Adult Education and Literacy be required to develop programs to insure the enrollment of a minimum of 25 percent of their potential clientele for adult literacy programs during the 1996-98 biennium.

The Commission subscribes to the theory that the educational level of the parent is a major factor in determining the level of educational attainment of the children. Adult literacy programs, then, will have a two-fold impact: An improved quality of life for the adult and a higher level of educational expectation and aspiration for the child.

Special Topics of Interest

Child Care

Few would dispute that child care is often a barrier to participation in secondary, postsecondary, adult education, and higher education programs in Kentucky. According to the Division of Secondary Vocational Education in the Kentucky Department of Education, there are 30 secondary schools across the state that offer Teenage Parent Programs.[60] The programs provide care for the children of students while the students attend high school classes, some of which include courses on parenting and life skills.[61] It is not known how many postsecondary, adult education, and higher education programs provide child care for students with dependents. According to the Family Literacy Branch Manager in the Department for Adult Education and Literacy, child care is not a service provided by her department and, consequently, no one tracks the number of child care services in adult education programs.[62] She noted that some programs may make arrangements for this service without the department's awareness.[63]

RECOMMENDATION 7.4: (a) That the General Assembly require each county-wide school district to provide on-campus child care service in at least one secondary school within the district; (b) that the county-wide school district be required to accept parenting students residing in an independent school district within the county; (c) that the child care facilities and service be made available to participants in adult basic education programs; and (d) that the General Assembly provide funding for the operation of the child care facilities on an average student daily attendance and adult participation basis.

RECOMMENDATION 7.5: That the General Assembly mandate a joint study by the Workforce Development Cabinet and the Council on Higher Education to determine the need for campus-situated child care for persons attending vocational and higher education schools and for adults enrolled in adult education courses.

Mentoring

The School-to-Work Program (discussed earlier) provides an opportunity for students to participate in *work-based learning*. As part of this experience, they participate in "workplace mentoring," by working closely with individuals employed in occupations in which the students have an interest. Teachers assist in job mentoring as well, by following student progress in the workplace through discussion with the students' employers.

The Southern Regional Education Board offers anecdotal evidence supporting the positive effect of teacher mentoring on student performance. For example, teachers and administrators at the Jonesboro Area Vocational-Technical High School in Arkansas monitor the performance of at-risk students each year.[64] Although students are initially unaware that someone is serving as their mentor, they notice the attention being given to them and become more interested in their studies.[65] During one year in which 50 at-risk students were monitored, there were no dropouts.[66]

RECOMMENDATION 7.6: That school districts be encouraged to develop academic mentoring programs in all secondary schools for at least those students considered to be at-risk, and job mentoring programs for all students enrolled in the School-to-Work Program.

The mentoring referred to in the above recommendation would be performed by teachers, who would monitor the academic or work-related performance of a block of students. The assignment of a student to a teacher for academic mentoring purposes would be for the entirety of the student's secondary education.

Apparent Failure of Kentucky's Educational System to Produce Skilled Workers for Clerical and Technical Occupations

The Commission discovered that many businesses in Kentucky are unable to find workers with enough skills and education to function in certain clerical and technical jobs. A typical example involves the Scott Paper Company and its attempt to hire workers for a new plant in Owensboro.

Recently, the company announced that it would accept applications for 174 positions and, as a result, thousands applied.[67] Officials administered a standardized high school math and English test to some 10,000 applicants, and 4,000 failed the exam.[68] This and other examples led the Commission to conclude that at least some Kentucky high schools are failing to educate students in basic subjects, such as mathematics and English, and are failing to prepare them for some entry-level clerical and technical positions.

RECOMMENDATION 7.7: That the Kentucky Department of Education develop a mandatory basic/survival skills course for all high school students, to be completed in their junior year. The purpose of the course would be two-fold: to insure that all students have the knowledge necessary to complete a job application, balance a checkbook, count change and read a road map, and the skills necessary to pass basic math and English tests (similar to those given by prospective employers).

Character Education

Throughout its work, the Commission on Poverty observed that a number of the problems associated with poverty resulted from a lack of self-worth and self-discipline among the youth of the Commonwealth. It became apparent that any strategy calculated to increase self-respect and respect for others, honesty, and good citizenship would pay substantial dividends.

The Commission became aware of the efforts of the Kentucky State Board for Elementary and Secondary Education to introduce character education in Kentucky's schools. A document entitled *Character and Value Education Teaching Strategies* was developed and distributed to local school districts in 1989, and revised under the title *Character Education Teaching Strategies* in 1994. The revision was accomplished by a Character Education Task Force, made up of a group of Kentucky educators and interested citizens, meeting under the auspices of the Kentucky Department of Education.

Character Education Teaching Strategies is not a mandatory course, but is intended as an instructional tool for teachers to be used in conjunction with their existing curriculum. The Commission considers instruction in human values to be of the utmost importance, and encourages the use of *Character Education Teaching Strategies* in Kentucky's elementary and secondary schools.

RECOMMENDATION 7.8: That the General Assembly encourage the integration of character education in Kentucky's elementary and secondary schools' curricula and support the use of *Character Education Teaching Strategies* for this purpose, and that the General Assembly require the Department of Education to conduct an annual survey to determine the extent to which character education is taught in Kentucky's schools and report the results to the Legislative Research Commission.

Nutrition

As noted in Chapter 5, Congress recently considered the possibility of funding different programs in the form of block grants. In fact, the Senate passed a welfare bill on September 19th that would fund welfare, child care, foster care, school nutrition and child nutrition programs in this manner.[69] The Commission considers the subsidized meal programs to be of such importance to the general well-being of students, and to have such a significant impact upon their disposition to learn, that it recommends that the program be given first priority in the allocation of applicable block grant funds.

RECOMMENDATION 7.9: That the General Assembly continue full funding of the free and reduced-price school breakfast and lunch programs and the summer lunch program.

ENDNOTES

[1] Vision: An Annual Report Detailing the State of Kentucky's Adult Education and Literacy Programs and Projecting Their Future, *Department for Adult Education and Literacy, Workforce Development Cabinet (Shepherdsville, KY: Cabinet for Workforce Development, 1993), p. 7.*

[2] *Although Head Start offers educational activities for eligible 3 and 4 year-old children, it is not strictly considered an "educational" program. Nonetheless, it has been categorized this way for the purpose of analysis.*

[3] Project Head Start Statistical Fact Sheet, *U.S. Department of Health and Human Services (Washington, D.C.: Department of Health and Human Services, February 1995), p. 4.*

[4] *Ibid, p. 5.*

[5] *Ibid.*

[6] *Telephone conversation with Kurt Walker, Director of Kentucky Head Start Collaboration Project, Kentucky Department of Education, 3 October 1995.*

[7] *Title I has three remaining parts. Part B details the operation and funding of the Even Start Family Literacy Program. Part C is a provision pertaining to the education of children whose parents are migratory workers. Part D describes prevention and intervention programs for children and youth who are neglected, delinquent, or at risk of dropping out. The Commission chose to focus only on Part A.*

[8] *34 C.F.R. §200.22.*

[9] *Telephone conversation with Kate McAnelly, Title I Consultant, Division of Program Resources, Kentucky*

Department of Education, 24 July 1995.

[10] *34 C.F.R. §200.23.*

[11] *Kentucky Department of Education,* Chapter 1 in Kentucky *(Frankfort, KY, March 1995), p. 2.*

[12] *Ibid.*

[13] *Improving America's Schools Act of 1994, Title II, sec. 2203, p. 110.*

[14] *Ibid, sec. 2103, p. 107.*

[15] *Ibid, sec. 2203, p. 110.*

[16] *Ibid, sec. 2205, p. 111.*

[17] *U.S. Department of Education,* Annual Performance Report of the Dwight D. Eisenhower Mathematics and Science Education Program, *17 March 1995, p. 13.*

[18] *Kentucky Department of Education,* Dwight D. Eisenhower Mathematics and Science Education Program: Local Formula Grant Program Report, *1995, p. 5.*

[19] *Ibid, p. 2.*

[20] *Kentucky Department of Education,* State Annual Report: Federal, State, and Local Partnership for Educational Improvement, *5 January 1995, p. 4.*

[21] *Ibid.*

[22] *Ibid, p. 1.*

[23] *Telephone conversation with Kate McAnelly, Title I Consultant, Division of Program Resources, Kentucky Department of Education, 24 July 1995.*

[24] Education for Homeless Children and Youth Program: Rights and Responsibilities of Educators, *Kentucky Department of Education (Frankfort, KY: Kentucky Department of Education, 1994), p. 1.*

[25] Annual Homeless Children and Youth Count, *Kentucky Department of Education (Frankfort, KY: Kentucky Department of Education, 1995), p.1.*

[26] *Ibid.*

[27] Education for Homeless Children and Youth Program: Rights and Responsibilities of Educators, *Kentucky Department of Education (Frankfort, KY: Kentucky Department of Education, 1994), p. 1.*

[28] *U.S. Department of Education,* Preliminary Guidance for the Education of Homeless Children and Youth Program, *June 1995, p. 2.*

[29] Annual Homeless Children and Youth Count, *Kentucky Department of Education (Frankfort, KY: Kentucky Department of Education, 1995), p. 2.*

[30] *Telephone conversation with Laura Graham, Former State Homeless Education Coordinator, Division of Program Resources, Kentucky Department of Education, 10 July 1995.*

[31] *Ibid.*

[32] *Ibid.*

[33] *American Vocational Association,* American Vocational Association Guide to the Carl D. Perkins Vocational and Applied Technology Education Act of 1990 *(Alexandria, VA: American Vocational Association, 1990), p. 11.*

[34] *Ibid, p. 12.*

[35] *Ibid, pp. 12, 14.*

[36] *Telephone conversation with Jim Byford, Director of the Division of Federal and Support Programs, Department for Technical Education, Workforce Development Cabinet, 23 August 1995.*

[37] *Ibid.*

[38] *This section is based on the a portion of the* Job Training Reform Amendments of 1992. *See pages 1 through 66 of House Report No. 102-240 regarding Public Law 102-367.*

[39] *Telephone conversation with Judi Sparks, Office of Training and Reemployment, Workforce Development Cabinet, 24 August 1995. Bill Gaunce, Executive Director of the Office of Training and Reemployment, supplied the figure representing the number of people served by the Adult Training Program at the Commission's meeting in July 1995.*

[40] *Ibid.*

[41] *Although it does not specifically target poor students, School-to-Work is included in this chapter because it is part of a nationwide effort to address a major shortcoming in the American public education system: the absence of coordination between secondary schools, business, and industry. This lack of coordination often leaves students wondering what career they should pursue. School-to-Work addresses this problem and is beneficial to all students in this respect, including the economically disadvantaged. Consequently, this program is reviewed here.*

[42] *Telephone conversation with Jim Byford, Director of the Division of Federal and Support Programs, Department for Technical Education, Workforce Development Cabinet, 23 August 1995.*

[43] *Telephone conversation with Sharon Clark, Former Kentucky School-to-Work System Coordinator, Workforce Partnership Council, 5 September 1995.*

[44] *Ibid.*

[45] *Dr. Bunch held the position of Executive Director of School-to-Work at the time she testified before the Commission.*

[46] *Telephone conversation with Sharon Clark, Former Kentucky School-to-Work System Coordinator, Workforce Partnership Council, 5 September 1995.*

[47] *Telephone conversation with Susan Henson, Branch Manager of School-to-Work and High-Schools-That-Work, Division of Secondary Vocational Education, Kentucky Department of Education, 5 September 1995.*

[48] *Ibid.*

[49] *Ibid.*

[50] *Telephone conversation with Sharon Clark, Former Kentucky School-to-Work System Coordinator, Workforce Partnership Council, 5 September 1995.*

[51] *The Commission on Poverty believed that the Job Opportunities and Basic Skills (JOBS) Program should be placed in Chapter 5 because of its relationship with the AFDC Program. Consequently, JOBS is not reviewed in this section.*

[52] *Telephone conversation with Dave Vislisel, Program Support Services Branch, Department for Adult Education and Literacy, Workforce Development Cabinet, 21 September 1995.*

[53] *Ibid.*

[54] *Ibid.*

[55] *Ibid.*

[56] *Ibid.*

[57] *See KRS 158.360.*

[58] *Telephone conversation with Sara Callaway, Manager of the Family Literacy Branch, Department for Adult Education and Literacy, Workforce Development Cabinet, 11 September 1995.*

[59] *Ibid.*

[60] *Telephone conversation with Jewell Ellis, Program Manager for the Family and Consumer Sciences and Special Programs Branch, Division of Secondary Vocational Education, Kentucky Department of Education, 16 October 1995.*

[61] *Ibid.*

[62] *Telephone conversation with Sara Callaway, Manager of the Family Literacy Branch, Department for Adult Education and Literacy, Workforce Development Cabinet, 11 September 1995.*

[63] *Ibid.*

[64] *Gene Bottoms, Alice Presson, and Mary Johnson, "Raising Expectations," in* Making High Schools Work Through Integration of Academic and Vocational Education, *(Atlanta: Southern Regional Education Board, 1992), p. 41.*

[65] *Ibid.*

[66] *Ibid.*

[67] *Raju Narisetti, "Factories' Skilled Labor Shortage is 'Frustrating',"* Lexington-Herald Leader, *9 September 1995, p. A11.*

[68] *Ibid.*

[69] *William Douglas, "Democrats Help Pass Welfare Bill,"* The State Journal, *20 September 1995, p. A1.*

CHAPTER VIII

ACCESS TO POSTSECONDARY EDUCATION: THE ROLE OF KENTUCKY'S HIGHER EDUCATION ASSISTANCE PROGRAMS AND OTHER FACTORS

A preponderance of evidence supports the conclusion that student financial aid is an effective means of promoting equal opportunity. According to the Executive Director of the Kentucky Higher Education Assistance Authority (KHEAA), virtually all studies on the influence of state aid on college applicants' attendance decisions conclude that aid increases the probability that applicants will attend. Additionally, research on college applicants reveals that grants are more effective in promoting access for low- income students. Student aid has also been shown to be effective in promoting persistence in pursuing a higher education. This chapter examines the role of Kentucky's education assistance programs and other factors in promoting interest and attendance in postsecondary education.

Student Financial Aid Programs

Students wanting to go to college have an array of financial assistance programs from which to choose. The Commission focused on two sources of aid that are available to students in low-income families: College Access Program Grants and Kentucky Tuition Grants.

College Access Program (CAP) Grants

This program helps financially needy undergraduate students to attend two- and four-year public and private colleges, proprietary schools, and publicly operated vocational-technical schools. Grants are given to students enrolled for at least six semester hours or half-time. Students applying for CAP Grants must demonstrate that their families are able to make only a limited contribution towards financing their education ($1500 or less). Kentucky appropriated approximately $17 million to the College Access Program for FY 96, while the federal government donated $800,000. The Executive Director testified that Congress will cease giving money to this program beginning next year.

According to KHEAA, most CAP recipients are in families with incomes of less than $10,000, and more than 75 percent have family incomes of less than $20,000. The number of eligible CAP grant applicants through September 7, 1995, totaled 42,707. Available funds of $20 million will enable KHEAA to award 57 percent of eligible applicants an average CAP grant of $823. Slightly more than 43 percent of eligible applicants will not receive a CAP grant, due to lack of funds. To award all eligible applicants would require an additional $20 million. Note should be taken that these figures reflect only those students who file an application for student aid, and do not take into account students who may have been eligible but did not complete the form.

Kentucky Tuition Grants (KTG)

This program offers financial assistance to qualified students who wish to attend one of the state's independent, non-profit colleges. Kentucky Tuition Grants enable students to afford the higher cost of tuition at these institutions. State dollars are the only source of funding for this program. In 1994-95 there were 7,600 recipients and all grants totaled $8.3 million.

RECOMMENDATION 8.1: That the General Assembly provide additional funding for the College Access Grant Program.

The ultimate goal would be to provide financial assistance to all eligible applicants. As an intermediate goal for the 1996-98 biennium, the Commission suggests funding sufficient to meet the financial needs of 75 percent of the expected applicants.

Trio Programs

These federally-supported programs are available in universities, community colleges and adult education centers across Kentucky.[1] They are targeted to disabled students and students whose parents did not attend college. Their purpose is to entice the students to seek higher education, and they provide financial and technical assistance in pursuit of this end. There are four types of Trio Programs: Talent Search, Upward Bound, Student Support Services, and Education Opportunity Centers.

Talent Search

This program seeks out youths and adults with potential for postsecondary education. It assists them as they work toward graduating from high school and encourages them to enroll in postsecondary programs. Talent Search also tries to persuade high school dropouts to return to school to earn a diploma, obtain a GED, and enter a postsecondary program. Those who participate receive help in completing the application process for financial aid and admission to college or vocational school. Counseling about academic, financial, and personal matters is also available.

Upward Bound

This program offers high quality academic instruction, tutoring, and counseling for low-income high school students. Many of these students come from families in which the parents have not attended college. In addition to learning about the college application process and how to apply for student financial aid, many Upward Bound students also participate in a five- or six-week summer program on a college campus. Students become involved in an intensive study program, emphasizing English, mathematics, science, reading, and writing, and are given examinations designed to pinpoint their strengths and weaknesses in these areas. Subsequently, they receive instruction tailored to these strengths and weaknesses. As with the Talent Search Program, students may receive counseling for their financial, social, and emotional needs.

Student Support Services

These services are available to low-income, first-generation college students, and the physically disabled. Eligible students receive instruction and tutoring in reading, writing, study skills, mathematics, and other subjects. In addition, they are given academic, financial, and personal counseling (if needed), and receive help in obtaining student financial aid. Further, students may receive information about other educational opportunities, such as graduate and professional programs, and may obtain assistance in securing admission and financial aid for these programs.

Educational Opportunity Centers

These centers provide adults in low-income communities with information about high school, GED, postsecondary education programs, financial aid and career opportunities. EOC counselors also help with the preparation of college admissions and financial aid applications. Professional career counselors help interested adults select and apply to schools suited to their career interests, and help them to identify grants and loans for educational expenses.

The President of Morehead University testified that while higher education institutions in Kentucky operate the Trio Programs, the federal government provides the money. "If the federal government no longer provides funding for these types of programs or if block grants are instituted, the state ... will have to provide funding for these programs or they will just disappear."

Outreach Activities and Publications

The Council on Higher Education and KHEAA both conduct programs intended to promote awareness of higher education among high school students in general and African-American students in particular. This section briefly reviews the Governor's Minority Student College Preparation Program, operated by the Council, and three programs administered by KHEAA.

Governor's Minority Student College Preparation Programs

Begun in 1986 with funding from the General Assembly, the program is designed to make young African-American students aware of the benefits and values of college and to prepare them to be successful in college-level work. The program is aimed primarily at middle school students, and while it was designed to assist minority students, any student who wants to be helped may participate. In 1994-95, approximately 1,700 students were served through summer and weekend programming at seven universities and two community colleges.

Hope, Opportunity, and Progress through Education (HOPE)

This program is targeted to African Americans and other historically underrepresented groups. Essentially, African-American college students are employed during the summer and are responsible for delivering the message of HOPE to African-

American students in kindergarten through 12th grade and their families. The summer employees share their own experiences, distribute KHEAA materials, emphasize the importance of higher education, and explain how financial aid can be obtained. Since HOPE began in 1993, over 13,800 people have been reached through direct contact, mailings, workshops, and other activities.

Success Through Educational Planning (STEP)

STEP is an early awareness program for Kentucky students in grades 8 through 12 and their parents. Each academic year, KHEAA sends postcards enclosed in letters to the parents of those students who are not participating in STEP, offering them the opportunity to request free financial aid information and planning materials for higher education. Upon return of the postcard, KHEAA sends the student a *Success Through Education Planning* publication (based on grade level) every year until he or she graduates from high school. Almost 70,000 packets and over 57,000 brochures were distributed in FY 95. More than 536,000 packets and brochures have been distributed since the program's inception in 1989.

While the amount of information distributed through the STEP Program is impressive, more could be accomplished with the help of all of the state's school districts. In order for KHEAA to mail the information, school districts have to provide the names and addresses of their students to KHEAA. Unfortunately, not all school districts participate in the program. Since the names and addresses received by KHEAA are considered to be confidential and are not shared with any other entity — public or private — and since the cost of transmitting the names and addresses, which are compiled for other purposes, is minimal, there does not seem to be any significant impediment to a school district's cooperation.

RECOMMENDATION 8.2: That the General Assembly enact legislation requiring Kentucky school districts to provide to the KHEAA the names and addresses of all students enrolled in the district in grades 8 through 12.

Opportunities for Disadvantaged Students

This program promotes higher education opportunities in areas of the state having low college-attendance rates and among students having one or more of the following family characteristics: low family income, a teenage mother at birth, or parents who did not graduate from high school. Kentucky ranks high in the number of families that fall in all three categories, and studies show a correlation between these family characteristics and school dropout rates.[2] KHEAA provides financial aid and postsecondary planning information to this population and others having circumstances that may deter them from staying in school and pursuing a higher education.

Publications

In addition to *Success Through Educational Planning*, mentioned previously, the KHEAA publishes a variety of brochures and booklets designed to inform students about college and financial aid. Perhaps the most important of these publications is *Getting In: Your Guide to Higher Education*, which contains valuable information about admission to college, tuition costs, financial aid, and academic programs in Kentucky. Nearly 78,000 copies were distributed in FY 95 to high school seniors, high school juniors, local libraries, and various human service agencies.

Futures: Your Guide to Life after High School, published by the Council on Higher Education, is a comprehensive reference on early career exploration, postsecondary options, and financial aid. Aimed at middle school and high school students, the publication is designed to assist students in planning for successful high school, postsecondary, military or work experiences. *Futures* is available from middle school and high school guidance counselors, school and public libraries, and programs serving students, such as the Youth Resources Centers.

Despite these outreach activities, it remains difficult for the Kentucky Higher Education Assistance Authority to fully inform some families about the option of higher education and the ways in which families can pay for it. According to the Executive Director, "one of the most difficult problems is to get information to families who need it, in a format which they can understand, and in time to have an impact on the education decision that is made by the family."

RECOMMENDATION 8.3: That the Kentucky Higher Education Assistance Authority, in conjunction with the Kentucky Workforce Development

Cabinet, develop an outreach program, using a "peer-to-peer" approach, to provide information about postsecondary educational opportunities to hard-to-reach individuals.

The Commission believes that many low-income students do not avail themselves of the opportunity to become informed about assistance in accessing postsecondary education. Traditional means of disseminating the information (e.g., through school counselors) do not seem to be reaching an acceptable percentage of the target population. A peer-to-peer approach, utilizing people from the local community or neighborhood, who often donate their services, has been highly successful in other areas where credibility and approachability were key to the dissemination of information.

Kentucky ranks high in the number of families that fall in all three categories (low income, teens giving birth, and parents who did not graduate from high school), and studies show a correlation between these family characteristics and school dropout rates.

RECOMMENDATION 8.4: That the General Assembly enact legislation requiring local Circuit Court Clerks to distribute information developed by KHEAA about postsecondary education opportunities and student financial aid to youth when they apply for their driver's learning permit.

Special Topics of Interest

The Skills-Mismatch Phenomenon

One popular criticism of postsecondary education and vocational programs in Kentucky concerns the "skills-mismatch phenomenon." According to proponents of this view, these programs prepare citizens for jobs that bear little logical relation to the skills which these persons have developed or prepare them for jobs that simply do not exist. The Commission noted a distinct sense of frustration evidenced by a number of public assistance recipients in regard to the appropriateness of vocational training available in their communities.

The Commission sought, but was unable to find, statistical evidence that supported the skills-mismatch phenomenon but eventually concluded that it does have some validity, and might, in part, explain the failure of high school graduates to view a vocational education as an acceptable alternative to higher education. Consequently, members concluded that education officials in charge of determining course offerings or postsecondary vocational education training programs need to do a better job of taking into account the needs of Kentucky's business and industry (on the community level) when developing their course offerings.

RECOMMENDATION 8.5: That the Workforce Development Cabinet insure that the course offerings available through vocational-technical schools match the employment needs within the service area.

The Negative Perception of Vocational Education

The Commission became aware of the manner in which some people view students in vocational education, and vocational-technical education in particular. Officials from the Department of Education and Workforce Development Cabinet testified that they have tried to integrate academic and vocational education, in an effort to counteract the negative perception of the latter. After examining this matter, the Commission determined that another method for combating this negative perception lies in altering the "non-degree" status of programs administered by the Workforce Development Cabinet. Kentucky law stipulates that the Department for Technical Education (within Workforce Development) operate "non-degree" programs in Kentucky's technical school system.[3]

Since students who participate in these programs do not receive technical degrees for their efforts, society may not afford them the same respect as students with academic degrees. Allowing the Department for Technical Education to grant technical degrees similar to those offered by community colleges may possibly remove the stigma attached to vocational education. Changing the status of "diplomas" in selected vocational-technical programs to "degrees," the Commission believes, might make society more likely to respect this type of education. Furthermore, the Commission feels, such a change may possibly enhance the ability of vocational-technical students to compete in the job market.

Based on their own experiences, Commission members noted that the hiring patterns of business and industry in Kentucky are consistent with the negative social view of vocational education. In other words, potential employers seem to be more willing to hire someone with an academic degree for an entry-level position, than someone with a "certificate-of-completion" or "diploma" from a vocational-technical school. If vocational-technical programs were elevated to the status of "degree" programs, this problem might be eliminated.

RECOMMENDATION 8.6: That the General Assembly amend current law (KRS 151B.025) to allow the Workforce Development Cabinet to grant "technical degrees" upon successful completion of selected vocational-technical programs.

Articulation Among Community Colleges and Vocational-Technical Schools

One of the most basic barriers to higher education in Kentucky, the Commission found, is the lack of recognition and crediting work done at the vocational school level toward attainment of an associate or bachelor's degree from a community college or four-year institution of higher education. The Commission failed to identify any systematic program for automatically crediting vocational school work, or, as an alternative, providing the vocational school student the opportunity to test for proficiency in appropriate subject areas.

The General Assembly passed legislation in 1992 creating the Interagency Commission on Education and Job Training Coordination, which consists of senior policymakers from various state agencies concerned with education.[4] Still in existence, this commission is responsible for developing programs that ensure "... maximum flexibility for students transferring from one school or college to another."[5]

The Interagency Commission has properly identified its mission as the development of a process of "articulation" or "... (the) process for coordinating the linking of two or more educational systems to help students make a smooth transition from secondary to postsecondary education and among postsecondary schools without experiencing delays, duplication of courses or loss of credit."[6]

Unfortunately, and in spite of a task force created for this purpose, the Interagency Commission has not implemented any articulation agreement on a statewide basis.[7] A nagging, but less serious problem which, presumably, the Interagency Commission would be expected to solve is the transfer of credits between community colleges and four-year institutions and among colleges or universities. The Commission on Poverty was told that the community colleges and universities around the state, perhaps out of frustration, have taken up this task, and are developing a statewide transfer policy that will ease the transition.

RECOMMENDATION 8.7: That the General Assembly require the Interagency Council on Education and Job Training Coordination, or the Council on Higher Education, to provide for a transfer of credits between vocational-technical schools and community colleges or four-year institutions of higher education. Or, as an alternative, to provide proficiency testing in appropriate subject areas for vocational-technical school students who seek admission to community colleges or four-year institutions.

RECOMMENDATION 8.8: That the General Assembly require that the Interagency Council on Education and Job Training Coordination, or the Council on Higher Education, complete the development of a process for the transfer of credits between and among community colleges and universities.

ENDNOTES

1 *The Commission on Poverty was unable to determine the amount of federal dollars given to Kentucky in support of Trio Programs for FY 95.*

2 Student Financial Aid Information, *Kentucky Higher Education Assistance Authority (Frankfort, KY: Kentucky Higher Education Assistance Authority, July 1995), p. 14.*

3 *See KRS 151B.025*

4 *Interagency Commission on Education and Job Training Coordination, "Education Articulation Position Statement," (Frankfort, KY: Interagency Commission on Education and Job Training Coordination, June 1995), p. 1.*

5 *Ibid.*

6 *Ibid.*

7 *Ibid, p. 4.*

CHAPTER IX

EMPOWERING LOCAL COMMUNITIES: A GUIDELINE FOR SUCCESS IN THE WAR AGAINST POVERTY

Pride of authorship, team decision making, site-based decision making, grass roots leadership and community-wide collaborative problem-solving are theories and techniques practiced for some time in private enterprise which are now being applied to the governmental sector. The goal of much recent government effort is to "empower" communities to render social services determined and selected by the community.

Many government services, to some extent, have always been the province of local determination, e.g., elementary and secondary education, police and fire protection, water and sewer facilities, garbage collection, and city streets and county roads, to name a few. And at one time, services to the poor and potentially impoverished juveniles were entirely a local function.

But with the advent of federally funded social welfare programs, policy making on a national level became a central government event, and administration was entrusted to states, which served as operating outposts for Washington, D.C. In recent years, amid a growing frustration over the limited success of programs intended to raise all citizens to a level of economic self-sufficiency, the basic assumptions and operating features of the various programs have been subjected to intense scrutiny at local, state, and national levels. Early childhood education and health enhancement programs, juvenile intervention programs, adult education and training programs and income maintenance programs were included in the review. An outgrowth of the examination was a realization that, while well intended, many of the programs' features failed to address specific local needs, and the programs suffered from the suspicions attendant to change agents which are initiated, designed, and controlled by institutions outside the community.

Kentucky Initiatives

In response to this realization, Kentucky and several other states have recently initiated programs which focus social service decision making at the local level. In Kentucky, Governor Brereton C. Jones established the Kentucky Commission on Families and Children, in the summer of 1994, to provide consistent statewide planning, coordination and local decision making on behalf of families and children.

The Commission recently solicited input from local human resource agencies, public and private; school districts, community action agencies, United Way groups and governmental entities, on strategies for local decision making and service delivery. The suggestions will be used as the foundation for models for Kentucky's communities in serving children and families.

Several of Kentucky's communities have organized to identify local needs, streamline services, and build community-wide support for the effort. In Louisville, a community-based system of service delivery has been developed under the auspices of the Jefferson County government. Termed the "Neighborhood Place," the program emphasizes accessibility to the community, full integration of service delivery, and responsiveness to client needs.

Neighborhood Places are located in areas of high client concentration, and feature single-point access/intake for multiple services, made possible by housing service providers under one roof, who work as teams with clients toward specific client-identified goals. The centers are supervised by community councils, made up of community members and provider representatives, who are also responsible for assessing community needs. Management Boards, comprised of managers of sponsoring organizations and representatives of community councils, do implementation planning and allocate resources. A Community Services Leadership Council, whose membership is composed of key community leaders, is responsible for long-range planning, prioritizing resources and approving the budget.

In Owensboro/Daviess County, the Human Development Council—a collaborative of private and public sector providers, elected officials, service users, and community representatives—is working to build support for its vision for children and families by making the service system more efficient, effective, and responsive to the needs of the entire family. Through the creation of a community report card, this Council has established benchmarks against which future progress in achieving desired outcomes for children and families can be measured.

In the Gateway Area Development District, ten organizations (the Area Development District, District Health Department, Community Mental Health, all three local hospitals, social services and "entitlement" agencies, Morehead State University, and the University of Kentucky's College of Dentistry) have formally agreed to develop the "Gateway Region Interagency Delivery System," known as "GRIDS." A broader network, to include other service providers involved in transportation, housing, job training and adult education, five county school systems, lay consumers and parents, is envisioned. The overall goal of GRIDS is to develop an integrated and collaborative delivery system with improved client access to services, improved quality in health and human services, and a decrease in overall costs.

Initiatives by Other States

The states of Georgia, Maryland, Oregon, and Washington have enacted legislation to empower local communities to identify, plan for, and deliver various services to children and families at risk. In Georgia, a Georgia Policy Council for Children and Families will approve plans submitted by community partnerships for addressing the problems of children, youth, and families in the county for which the community partnership was created. The partnership organizations, made up of public and private citizens, will be authorized to contract with public and private agencies to provide programs and services to carry out the provisions of the comprehensive plan.[1]

The Maryland Subcabinet for Children, Youth, and Families Resource Fund will oversee the operations of children's councils established in each Maryland county and in Baltimore. Some of the more significant duties of the councils will be: (1) the examination of public and private programs for children, youth, and their families to identify duplications, inefficiencies, and unmet needs; (2) the review of federal, state, local, and private funds utilized and available for services and programs for children, youth, and their families; (3) the identification, documentation, and communication of needs, resources and priorities to the local governing body; and (4) the dissemination of public information on programs and services for children, youth, and their families.[2]

The state of Washington created the Community Public Health and Safety Networks, and charged them with reducing the rate of problem areas in their community, such as teen pregnancy, substance abuse, violent criminal acts, teen suicide, and dropping out of school. The community networks, with a majority of their membership drawn from private community members, have the ability to make recommendations directly to the state funding sources as to how money should be spent in communities. While some new funds will be dedicated to the community networks, the effort is geared toward a critical examination of existing systems, resources, and bureaucracy.[3]

Oregon's Commission on Children and Families

The hallmark of state initiatives to empower local communities is the Oregon Commission on Children and Families Act.[4] Adopted in 1993, the Act created a state Oregon Commission on Children and Families and local Commissions on Children and Families in each of the state's thirty-six counties. The local commissions' charge is twofold: to plan comprehensively for the wellness of all children in their county, and to engage state government in a discussion of who should be responsible for services to children and families in the county.

The Act was adopted in response to legislative concerns about fragmented and inaccessible services for children and families. It creates an opportunity for local commissions to review and design county-wide systems, serving children and families, that meet identified principles in the Act. The Oregon commissions were preceded by volunteer citizen-driven local commissions, begun in 1979 with the Juvenile Services Commission and expanded in 1989 with the Oregon Community Children and Youth Services Commission.

These commissions worked to set local priorities and to develop local strategies to address their own unique needs. The state commission drew upon the work of the Oregon Progress Board, which developed Oregon Benchmarks, a state-wide strategic planning process that identified three broad goals for Oregon: increase jobs and incomes by creating a diversified, productive economy; protect and enhance Oregon; and invest in the capabilities of Oregonians. Specific benchmarks, 272 all together, are the measurable indicators of progress toward Oregon's goals. A significant number of benchmarks that relate to children and family issues were adopted by the state commission.

The 14-member state commission is made up of 12 appointees by the Governor, plus the State Superintendent of Public Instruction and the Director of Human Resources. The responsibilities of the state Commission include: (1) the adoption of goals and priorities for service; (2) a determination of funding that should be transferred to local commissions and a development of an equitable distribution formula; (3) a listing of children support areas that local commissions must address; (4) the review and approval or denial of local plans; (5) a determination that local services are integrated and evaluated according to outcome goals; and (6) the providing of technical assistance to local commissions to assist in the development of plans and the transferring of resources from the state to the local level.

The local commissions must have a minimum of eight members, appointed by the county governing board, with a lay citizen majority, including the chair. Local commissions' responsibilities include: (1) comprehensive planning focused on outcomes adopted by the state commission, (2) the assurance of citizen participation in comprehensive planning, and (3) the conduct of an open contracting process for services rendered to children and families.

In partnership with the state commission, each of the local commissions goes through a comprehensive planning process to determine needs and priorities and plan for community action programs to serve children and youth in their communities. In addition, all counties must develop methods for monitoring and evaluating commission programs and activities. Local staff conduct periodic program monitoring and collect information for evaluation of long-term program activities.

In contrast with other states' local empowerment initiatives, including Kentucky's, Oregon's program is distinguished by: (1) state-wide coverage, (2) mandated creation of local commissions, (3) local control of programs and funds previously administered by the state, and (4) a foundation of goals and benchmarks developed through a state consensus effort. The process which led to the development of Oregon's Commissions on Families and Children may be difficult to duplicate, but its results can be copied.

RECOMMENDATION 9.1: That the Kentucky General Assembly enact legislation to create a Kentucky Commission on Children and Families and mandate the establishment of local Commissions on Children and Families.

The intent of the General Assembly in enacting the legislation would be to establish and maintain a "wellness model" for children and families in Kentucky; build new local resources and state/local partnerships, determining which services previously managed by the state can be transferred to local commissions; and provide research, technical assistance, and training to help local communities build their capacity to plan and manage programs for children and families.

The legislation should:

(1) Establish the state commission as a legal entity upon the effective date of legislation passed by the 1996 Regular Session;

(2) Specify the membership of the state commission;

(3) Specify the membership of local commissions and their relationship with local governing bodies, and specify a timetable for their establishment;

(4) Charge the state commission with:

(a) The responsibility of establishing state-wide goals and benchmarks relating to children and families, and establishing a timetable for their development;

(b) Establishing guidelines and timetables for required local planning services to children and families to provide local services that are consistent with state-wide policies and guidelines;

(c) Recommending to the 1998 regular session of the General Assembly the programs relating to children and families which should be assumed by the state commission and operated by the local commissions, and

(d) Recommending the funding which should be associated with the assumed programs;

(5) Require the state commission to provide technical assistance to the local commissions in the development of their applications, and provide sufficient funding to the commission for this purpose; and

(6) Provide funds for a minimum staff for each local commission.

The Commission on Poverty believes that the state Commission on Children and Families should play a significant role in the allocation of federal block grants identified for services to children and families, and recommends that any legislation specifying a process for the allocation of block grants should include the state Commission on Children and Families.

ENDNOTES

[1] *General Assembly of Georgia, Senate Bill 256, 1995, Regular Session.*

[2] *Maryland General Assembly, House Bill 835, 1993, Regular Session.*

[3] *Washington State Legislature, House Bill 2319, 1994, Special Session.*

[4] *Oregon Legislative Assembly, House Bill 2004, 1993, Regular Session.*

CHAPTER X
LESSONS FROM THE PAST AND A VISION FOR THE FUTURE

The information acquired by the Commission on Poverty during its relatively brief, twelve-month life, has been summarized in earlier chapters. The Commission has presented the testimony of citizens, policymakers, and others intimately involved with the issue of poverty on many aspects of the problem as it exists in Kentucky, including the number of poor, the geographic distribution of the poor, the problems experienced by different subgroups of poor, and the efforts of government and non-profit/private organizations to combat poverty. The Commission takes this opportunity to reflect on what it has learned and to describe its vision for Kentucky's future.

Lessons Learned

One of the earliest, and most significant lessons impressed upon the Commission was that the *poor do not want to be poor.* Although this statement seems patently obvious, much of the current rhetoric presumes that some people purposely plan to be poor and scheme to remain poor in order to receive public assistance and avoid the rigors of becoming economically independent. The Commission heard much testimony indicating otherwise. The comments of Anetha Lewis, a former public assistance recipient, reflected a sentiment common to all of the impoverished who spoke to the Commission. "We are not here to abuse the system. We're here to get off it because it is abusing us."

Another lesson of particular importance, given its potential impact upon future policy, is that *governmental antipoverty programs have improved the lives of many poor Americans over the years.* Once again, the prevailing rhetoric presumes that the War on Poverty was a failure and that all current "welfare" programs have failed as well. As Danziger, Sandefur, and Weinberg (1994) explain, this analysis is simplistic, because the person who created these programs did not foresee the profound social and economic changes that have occurred since the 1960s[1]. Hence, the only reasonable conclusions about the effectiveness of the War on Poverty, and American social policy since that time, is that some programs have worked and some have not.[2]

Furthermore, the simple characterization of the War on Poverty and all public assistance programs as failures ignores the good resulting from these programs. For example, our nation has been extremely successful in reducing poverty among the elderly over the last 30 years. Specifically, poverty rates for elderly Americans have declined since the 1960s. The national poverty rate for elderly citizens was 35 percent in 1959.[3] In 1989 this rate had dropped to 12 percent.[4] The expansion of Social Security and Medicare benefits accounts for most of this decline.[5]

Another example of governmental program effectiveness involves Kentucky's success in assisting the poor on their quest for self-sufficiency. The General Assembly incorporated the ratable-reduction system into Kentucky's AFDC program in 1988. As explained in Chapter 6, this program's expenditures have been "under-budget" since 1992, and the average cash grant given to AFDC recipients under the ratable-reduction system has *declined* since July 1989. According to a policy analyst with the Office of Kentucky Legal Services Programs, this means that more AFDC recipients are working and making the transition to self-sufficiency. *The bottom line is that Kentucky's AFDC program is having a positive impact on the lives of many poor citizens.*

Finally, *although it may seem like an elusive goal, the elimination of poverty in Kentucky, especially as a chronic condition for the individual, remains a possibility.* Perhaps poverty reduction is a more realistic goal at the moment. Nevertheless, the Commission believes, despite all of the testimony and grim statistics about the poor in Kentucky, that its state possesses the ability to completely remove the scourge of poverty from its citizens. What is needed, however, is the will and the vision to accomplish the goal. Although the Commission on Poverty alone cannot forge a collective will among the citizens of the Commonwealth, its reflections can serve as a motivating force for a unified, concerted assault on the problem.

Our Vision for the Commonwealth

The "Human" Focus and a Commitment to Progress

The Commission on Poverty observed a world of work and industry that is changing day by day. Signs of the Industrial Society, Information Age, and Knowledge Society[6] are ever present. The pressure to excel in academic pursuits, which are requisite to capturing and keeping a job in this high-tech age, are enormous.

A problem encountered by the Commission is that many people are psychologically unable to move forward. They are unprepared to accept the new world or to compete in it. Consequently, they ignore reality, vainly trying to recapture the past and all its known quantities and shortcomings, or attempt to forge an alternative "reality" of how things should be.

The Commission recognizes that Kentucky has an obligation to bring everyone along on the road to progress. But at the same time, it urges the state's policymakers to remain mindful of the individual. The state's efforts must be directed toward leading-edge, information-age thinking, while exercising care not to exacerbate the adverse impact of the present era among those who lack the wherewithal to become a "knowledge worker." The Commonwealth's policies must have a human focus, and our state and community leaders must make a commitment to progress in improving the lives of all citizens.

Wealth Must Be Reconceptualized

Capital, capital formation, and economic development are buzzwords. Emerging realities have forced states and nations to forge a new consensus about the meaning of these terms for the 21st Century. Chapter 6 quotes economic analyst Mark Memmot's suggestion that definitions of "wealth" and "capital" should be broadened to include *human capital* and *social capital*.[7] These, along with natural capital (such as land, minerals, and other natural resources), financial capital, and produced assets (traditional "goods and services") create what is termed "wealth." According to Memmot, "Old ways of thinking about economies may lead to disaster. Resources need to be protected. People need to be invested in. And wealth isn't measured by production alone."

With this new conceptualization of wealth and capital in mind, Memmot suggests that America rethink its priorities:

> **A nation that ignores or fails to adequately protect and invest in any of those areas risks ruining the long-term health of its economy in favor of short-term gains. It won't achieve sustainable growth ... [We must be committed to] 'giving future generations as many opportunities as, if not more than, we have had ourselves.'**

Essentially, he advocates enhancing human capital through investments in education, training, nutrition, and health care. If such investment occurs, citizens "... can expect to earn good incomes most of their lives." With more responsibilities now settling on the shoulders of the state (as part of the block-grant phenomenon), the Commission on Poverty believes that redefining wealth and capital, and enhancing human capital through investments in education, training, nutrition, and health care is worthy advice for Kentucky.

The Importance of Community-Building

The spirit of volunteerism is alive and well in America. In the Commission's view, Americans tend to doubt that government can solve problems on the national and state levels, although most believe that *they* can still solve their own problems on the community level (however they choose to define "community"). The Commission thinks it is reasonable to assume that many citizens (who comprise what Peter Drucker calls the "social sector") desire to become involved in community development. According to Drucker:

> **one thing is already clear. The knowledge society has to be a society of three sectors: a public sector of government, a private sector of business, and a social sector. And I submit that it is becoming increasingly clear that through the social sector a modern developed society can again create responsible and achieving citizenship, and can again give individuals — especially knowledge workers —**

a sphere in which they can make a difference in society and re-create community .... The social sector will increasingly be crucial to the performance, if not to the cohesion, of the knowledge society.[8]

It is for this reason that the Commission on Poverty believes that a modified model of Oregon's community empowerment/collaboration legislation is needed to strengthen Kentucky communities' self-organized initiatives within a broad framework of agreed outcomes, standards, and flexible approaches to problem-solving, in ways appropriate to each community. In order to create the broadest possible community ownership and synergy, each of these citizen- and consumer-driven collaboratives can serve as the local *partner* with the respective state agencies to help devise and oversee local efforts, coordinate and contract with local service providers and serve as conduits for public funding.

A number of models for this approach (all different, but all effective) already exist in Kentucky. Three of these (the Gateway area; Louisville-Jefferson County; and Owensboro-Daviess County) were highlighted in the previous chapter. These initiatives represent the kind of self-defined, self-organizing efforts that 1) overcome the problems of complexity, 2) engage the social and private sectors and create synergy, and 3) predict what the Commission, the General Assembly and the people of Kentucky want: *successful outcomes and brighter futures for all our citizens.*

While community collaboratives may seem at first to be somewhat loosely constructed, they, in fact, would carry the same safeguards on public resources presently found in more controlled, restrictive, and bureaucratic approaches. At the same time, these collaboratives would be much more dynamic and would invite everyone and every organization to "the community table" to bring what they can to help set and achieve community goals. This effort would result in the dynamic of ownership. This kind of ownership does not accrue when one party, political or otherwise, stands supreme while all others function as "junior partners" — if indeed the concept of *partnership* could even be conceived in that way. People and organizations today respond to and flourish in an environment of empowerment, relationships, teamwork, and shared goals.

Various interests are working to create the next "paradigm" for the delivery of human services. In light of block grants and increased state discretion over virtually every human service program's rules and design, there will indeed be a new day in addressing human needs in the Commonwealth. The Commission on Poverty suggests that who or what entities control or "deliver" human services is not nearly as important as *how* the system is conceived, implemented, and directed. All of us are aware of the saying, "For every complex problem there is a simple solution which is logical, neat, plausible — and wrong!" Does this Commonwealth want "solutions" that are neat, controlled, and like previous politically soothing approaches, ineffective? Or, does it want results? The Commission believes the public outcry is for effectiveness, broad citizen and institutional participation, and positive results for our people.

Concluding Thoughts

Poverty is a multi-faceted problem, requiring a multi-dimensional solution. Education, jobs, public assistance, self worth, state goals and community involvement are some of the factors involved in the issue.

The Commission on Poverty has concluded that poverty can be overcome only by raising the level of awareness of the problem, and by making the impact upon the poor an item on the checklist applied to each and every state and local program or action.

A modern day war against poverty must include assaults on as many fronts as can be identified. There is no single solution to poverty, and even for the individual, a number of factors must fall into place to preclude economic deprivation.

Young people who are socially deprived must be given the opportunity to enter school at the same level of development as their more fortunate peers. Elementary school students must be instilled with a work ethic and an assumption and expectation of study or training beyond the secondary level. Middle school students must be afforded the opportunity to contract to qualify for admittance to a postsecondary program through adoption of a predetermined course of study. Secondary students must be exposed to the varied financial assistance available for postsecondary education, so that finances may never inadvertently be a barrier to further education. And students at all appropriate ages must be taught the repercussions of behavior which could thwart their development into self-reliant citizens.

Kentucky's economic development efforts must be redirected to give substantial weight to the recruitment and financing of local entrepreneurs and the establishment of indigenous businesses, which, in many cases, is the only development feasible for rural, high poverty areas. Economic development policy should also address the plight of those individuals who are unemployed or underemployed, by encouraging their employment by firms receiving state and local tax subsidies. Employers in general must be educated in the advantages of providing employee benefits, particularly benefits which will remove barriers to employment for low-income individuals.

The state's transitional income-maintenance programs must be adjusted to encourage and permit movement to self-reliance by removing disincentives to gaining or keeping a job. Public assistance recipients must be required to do their part by acquiring life skills and technical knowledge which will not only open doors to employment but also establish a standard of living which will encourage their children to strive "to be the best they can be."

Communities must take an active role in identifying and providing services to families and children which are appropriate to the immediate locale. And the state must do its part to empower communities with the framework and funds to fulfill their responsibilities.

State programs involving transportation facilities, tax policy, health policy, and a host of other issues, however remote their impact upon reducing poverty may appear, must be viewed with that goal in mind. To paraphrase an earlier statement, poverty will only be overcome by heightening the awareness of the problem, and formulating solutions at every opportunity.

RECOMMENDATION 10.1: That the General Assembly reconstitute the Commission on Poverty for the 1996-97 interim.

The overwhelming complexity and durability of the poverty phenomenon demand the constant vigilance of citizens and policymakers. Unfortunately, there is a tendency for this problem to drift from the public agenda, only to return many years in the future. The Commission believes that Kentucky should avoid this imminent lapse of attention by continuing to grapple with poverty and its effects. Reconstituting the Commission on Poverty for the 1996-97 interim period would ensure that this formidable foe continues to receive the attention it requires — at least in the immediate future. The new Commission would be responsible for promoting public awareness and motivating citizens and policymakers to begin a dialogue about poverty. Most importantly, it would also study the problem in greater detail and examine several areas left unexplored by the previous commission.

ENDNOTES

[1] *Sheldon H. Danziger, Gary D. Sandefur, and Daniel H. Weinberg, eds., "Introduction," in* Confronting Poverty: Prescriptions for Change *(New York: Russell Sage Foundation, 1994), p. 1.*

[2] *Ibid.*

[3] *Gary Burtless, "Public Spending on the Poor: Historical Trends and Economic Limits," in* Confronting Poverty: Prescriptions for Change, *p. 64.*

[4] *Ibid.*

[5] *Ibid.*

[6] *See Peter F. Drucker,* Post-Capitalist Society, *(New York: HarperBusiness, 1993), and Drucker, "The Age of Social Transformation,"* Atlantic Monthly, *274, No. 5 (1994), 53-80.*

[7] *This section is based on information found in Mark Memmot's "Redefining the Wealth of Nations,"* USA Today, *18 September 1995, p. 4B.*

[8] *Peter Drucker, "The Age of Social Transformation,"* Atlantic Monthly, *274, No. 5 (1994), 76, 78.*

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APPENDIX

Activities of the Commission on Poverty

November 2, 1994 - First Meeting

The House Speaker and Senate President addressed the Commission on Poverty, emphasizing the need for practical recommendations to ameliorate poverty in the state. Members were also given an overview of the incidence of poverty in Kentucky.

Speaker: Eck Rose - President of the Senate

Joe Clarke - Speaker of the House

Dr. Thomas Ilvento - Department of Sociology, University of Kentucky

December 7, 1994 - Second Meeting

Guest speakers described the methods by which the federal government defines and measures poverty. They also explained the results of a demographic analysis of the poor in Kentucky.

Speakers: Dr. Virginia Wilson - Chief Economist, Legislative Research Commission

Ronald Crouch - Kentucky Data Center

January 4, 1995 - Third Meeting

Members heard presentations concerning myths and misconceptions about poverty in Kentucky and homelessness in Louisville.

Speakers: Dr. Virginia Wilson - Chief Economist, Legislative Research Commission

Ronald Crouch - Kentucky Data Center

February 1, 1995 - Fourth Meeting

Guest presenters offered their explanations of the causes of poverty in Kentucky and Commission members discussed these explanations. The presenters also described programs designed to "break the cycle" of poverty.

Speakers: Brenda Barbieri, Project Leader in the Resource Mother Program - Lexington/ Fayette Urban County Health Department

David Richart, Executive Director - Kentucky Youth Advocates

Debra Miller, Deputy Director - Kentucky Youth Advocates

Jean Rosenberg, Program Director - Homemaker and Single Parent Career Development Program - Prestonsburg Community College

Katherine Schneider, Director of the Department of Human Services - Jefferson County

Jane Stephenson, Founder and Director of the New Opportunity School for Women - Berea College

March 1, 1995 - Fifth Meeting

Guest presenters discussed some successful and unsuccessful programs designed to empower communities and reduce poverty.

Speakers: Reverend Ralph Beiting, Chairman - Christian

Appalachian Project

Keith Sanders, Executive Director - Hager Foundation

Richard Seckel, Policy Analyst - Office of Kentucky Legal Services Programs

Selena Murdoch, AFDC recipient

April 5, 1995 - Sixth Meeting

The Commission held a teleconference with officials from the Oregon Commission on Children and Families to discuss the provisions of Oregon's legislation which established the state commission and mandated local commissions in each of Oregon's counties. Presenters discussed anti-poverty programs utilizing a peer-to-peer approach to "reach" their clientele.

Speakers: Diane Walton, Director - Oregon Commission on Children and Families

Micky Lansing, Regional Coordinator and Administrator of the Poverty-Reduction Benchmark - Oregon Commission on Children and Families

Janet Carlson, Budget Director - Oregon Commission on Children and Families

Lawrence Hager, Founder - Hager Foundation

Keith Sanders, Executive Director - Hager Foundation

Katherine Schneider, Director - Jefferson County Department for Human Services

Rose Nett, Administrative Assistant - Jefferson County Department for Human Services

Wayne Mountz, Chairman - Kentucky Commission on Families and Children

Dr. Karen Main, Deputy Director - University of Kentucky Center for Rural Health (Hazard)

Marion Colette, Director - Whitley County Communities for Children

June 7, 1995 - Seventh Meeting

Officials from the Economic Development Cabinet reviewed several major development programs. A guest speaker from the Kentucky Highlands Investment Corporation described his organization's development efforts targeted to southeastern Kentucky.

Speakers: Lawrence Brown, Commissioner - Department of Financial Incentives

Steven Jones, Director - Division of Rural Development in the Department of Financial Incentives

Sara Bell, Principal Assistant - Kentucky Enterprise Zone Program in the Department of Financial Incentives

Kenneth Carroll, Executive Director - Bluegrass State Skills Corporation

Jerry Rickett, President and Chief Executive Officer - Kentucky Highlands Investment Corporation

June 29, 1995 - Eighth Meeting (Public Hearing)

The Commission toured economically-depressed areas in Whitesburg, and heard testimony from impoverished residents and others who provide assistance to the poor.

Speakers:
Current or Former Service Recipients
Barbara Hollen, Patricia Stallard
Nina Hess, Doris Adams, Kevin Burchett - Michael Newton, Freda Campbell

Service Providers
Linda Wright, Jeanette Ladd

Citizens-at-Large
Willy Lamb, Barbara Colter

July 5, 1995 - Ninth Meeting

Officials from the Department of Education and Workforce Development Cabinet discussed general elementary, secondary, and adult education/literacy programs, and vocational school programs designed to alleviate poverty.

Speakers: Dr. Johnnie Grissom, Associate Commissioner for the Office of Special Instructional Services - Department of Education

Joseph Clark, Director - Division of Program Resources in the Department of Education

Rodney Kelly, Director - Division of Secondary Vocational Education in the Department of Education

Dr. Ruth Bunch, Executive Director - Office of School-to-Work in the Workforce Development Cabinet

Tara Parker, Commissioner - Department of Technical Education in the Workforce Development Cabinet

Teresa Suter, Commissioner - Department for Adult Education and Literacy in the Workforce Development Cabinet

William Gaunce, Executive Director - Office of Training and Re-employment in the Workforce Development Cabinet

John Hicks, Executive Director - Office for Policy, Budget, and Personnel in the Workforce Development Cabinet

July 31, 1995 - Tenth Meeting (Public Hearing)

The Commission heard testimony from impoverished residents of Louisville and from those responsible for operating antipoverty programs in that area.

Speakers:
Current or Former Service Recipients
Anika Lewis, Shawn Fridenstine, Ples Wilson, Wyndle Duncan, Valerie Leslie, Sharon Rutledge, Debbie Luttrell, Alicia Dailey, Almeda Murrell, Kenny Boyd, Elizabeth Vega-Fowler, Patricia Stuart, June Crowder, Maria Saunders, Linda Fischer, Nickol Irvin

Service Providers
Ken Evans, Lillie Grinter, M. J. Kinman, Linda Leeser, Charlotte Hazas, Ben Schecter, Joyce Wagner, Nana Yaa Asantewa

Citizens-at-Large
Anna Shed, Doris Horsenrader Susanne Steinbach, Frank Jones, Donna Hill, Deny Grinstadt, Tyler Fairleigh

August 4, 1995 - Eleventh Meeting

Guest speakers discussed post-secondary programs targeted to low-income students.

Speakers: Dr. Gary S. Cox, Executive Director - Council on Higher Education

Dr. Ronald Eaglin, President - Morehead State University

Mr. Paul Borden, Executive Director - Kentucky Higher Education Assistance Authority

August 31, 1995 - Twelfth Meeting (Public Hearing)

The Commission heard testimony from impoverished residents of Covington and from those responsible for operating antipoverty programs in that area.

Speakers:
Current or Former Service Recipients
Joy Hayes, Bill Parks, Paul Spratt, Charles Davis, Randall Gross

Service Providers
Barry Grossheim, Faye Massey, Karen Kahle, Ann Perrin, Bob Sellers, Debbie Roller, Laurie Linnemann

September 1, 1995 - Thirteenth Meeting

Officials from the Cabinet for Human Resources described their agency's programs designed to alleviate poverty.

Speakers: John Clayton, Commissioner - Department for Social Insurance

Peggy Wallace, Commissioner - Department for Social Services

Steven Veno, Director - Division of Child Protective Services in the Department for Social Insurance

Larry McCarthy, Director - Division of Program Development and Budget in the Department for Medicaid Services

	RATE OF POVERTY Percent of People in Poverty		NUMBER IN POVERTY									
			People		Children		Elderly (65 and over)		Blacks		Female-Headed Families with Children	
	Percent	Rank	Number	Rank	Number	Rank	Number	Rank	Number	Rank	Number	Rank
Adair	25.1%	45	3,744	63	1,156	67	833	30	210	58	167	86
Allen	24.6%	48	3,548	67	1,142	68	698	45	113	71	153	92
Anderson	9.3%	117	1,339	112	428	111	296	99	338	47	93	113
Ballard	18.5%	76	1,443	110	403	113	347	94	141	67	115	106
Barren	21.5%	58	7,160	24	2,217	27	1,432	9	1,009	22	494	27
Bath	27.3%	34	2,598	83	784	91	434	86	194	60	164	89
Bell	36.2%	15	11,209	10	3,811	13	1,053	21	206	59	966	12
Boone	7.4%	119	4,221	51	1,609	44	492	76	280	54	425	37
Bourbon	17.5%	84	3,330	71	1,179	66	702	44	1,077	21	393	38
Boyd	16.5%	93	8,203	22	2,649	23	1,166	15	393	44	820	18
Boyle	17.1%	87	4,043	56	1,416	51	627	54	1,315	15	479	29
Bracken	21.4%	59	1,643	107	519	107	274	108	15	95	97	112
Breathitt	39.5%	7	6,072	33	2,088	31	585	59	14	97	446	34
Breckinridge	23.2%	52	3,743	64	1,194	64	617	55	376	46	238	68
Bullitt	10.4%	115	4,917	40	1,701	40	559	65	236	56	380	40
Butler	23.8%	50	2,616	82	861	83	477	79	0	114	147	93
Caldwell	19.9%	66	2,579	84	899	80	449	83	315	50	252	65
Calloway	17.7%	81	4,815	43	1,228	60	931	27	500	39	367	41
Campbell	11.0%	113	9,087	19	3,526	15	1,322	12	377	45	1,226	7
Carlisle	17.7%	80	921	117	233	117	280	106	16	94	78	115
Carroll	22.0%	56	2,008	99	829	86	259	110	73	79	161	90
Carter	26.8%	39	6,377	31	2,333	26	738	41	0	114	465	32
Casey	29.4%	29	4,140	53	1,233	59	799	32	19	92	241	67
Christian	18.1%	77	10,670	14	4,580	7	1,276	13	9,323	3	1,193	8
Clark	17.7%	82	5,142	37	1,791	37	724	43	1,132	19	332	46
Clay	40.2%	6	8,656	20	3,122	20	756	39	223	57	457	33
Clinton	38.1%	11	3,447	69	1,031	75	567	62	0	114	204	76
Crittenden	18.7%	75	1,686	106	592	101	282	105	32	86	116	105
Cumberland	31.6%	24	2,112	96	603	99	491	77	169	63	155	91
Daviess	15.4%	99	13,179	6	4,933	5	1,802	5	1,822	11	1,336	4
Edmonson	27.0%	37	2,783	79	810	89	466	81	27	87	165	88
Elliott	38.0%	12	2,456	89	843	85	315	97	0	114	190	80
Estill	29.0%	30	4,199	52	1,418	50	563	64	0	114	347	44
Fayette	14.1%	107	30,108	2	9,392	2	2,745	2	18,691	2	3,523	2
Fleming	25.4%	43	3,086	74	948	78	557	66	113	71	167	86
Floyd	31.2%	25	13,521	5	4,791	6	1,151	16	127	69	925	15
Franklin	10.9%	114	4,617	45	1,622	43	770	35	2,113	8	520	24
Fulton	30.3%	28	2,467	87	878	82	457	82	549	37	271	59
Gallatin	14.3%	104	763	119	230	118	162	119	92	75	51	119
Garrard	18.1%	78	2,076	97	613	97	413	88	312	51	123	102
Grant	15.1%	100	2,345	90	956	77	318	96	10	100	200	77
Graves	16.9%	89	5,593	34	1,811	36	1,148	17	656	33	517	25
Grayson	23.8%	49	4,935	39	1,602	45	897	28	73	79	290	53
Green	21.6%	57	2,188	95	560	104	614	56	170	62	111	108
Greenup	17.6%	83	6,385	29	2,173	28	669	49	101	73	470	30
Hancock	16.8%	90	1,305	113	501	109	187	114	85	76	97	112
Hardin	13.5%	110	11,017	11	4,487	8	987	23	6,424	4	1,070	10
Harlan	33.1%	20	11,995	8	4,239	9	1,066	19	673	29	957	13
Harrison	16.9%	88	2,693	81	812	88	565	63	322	48	194	79
Hart	27.1%	36	4,024	57	1,275	58	724	43	598	36	280	55
Henderson	14.6%	102	6,206	32	2,085	32	979	24	1,798	12	716	21
Henry	19.7%	67	2,513	86	782	92	448	85	286	52	173	83
Hickman	20.1%	64	1,087	115	336	115	239	112	283	53	104	109
Hopkins	17.2%	86	7,789	23	2,608	24	1,213	14	2,014	10	841	16
Jackson	38.2%	10	4,544	46	1,559	46	660	52	0	114	177	81
Jefferson	13.7%	109	89,755	1	33,147	1	10,260	1	72,846	1	12,569	1
Jessamine	13.2%	111	3,848	61	1,337	55	466	81	674	28	302	50
Johnson	28.7%	32	6,573	27	2,167	29	670	48	11	99	434	36
Kenton	9.9%	116	13,792	4	5,403	4	1,814	4	2,244	7	1,941	3
Knott	40.4%	5	7,035	26	2,583	25	528	68	0	114	467	31

Source: Bureau of the Census, Summary Tape File 3A.

	RATE OF POVERTY Percent of People in Poverty		NUMBER IN POVERTY									
			People		Children		Elderly (65 and over)		Blacks		Female-Headed Families with Children	
	Percent	Rank	Number	Rank	Number	Rank	Number	Rank	Number	Rank	Number	Rank
Knox	38.9%	8	11,289	9	4,212	10	1,067	18	56	82	941	14
Larue	19.9%	65	2,297	92	675	94	494	74	256	55	218	75
Laurel	24.8%	47	10,630	15	3,530	14	1,380	11	131	68	736	20
Lawrence	36.0%	16	4,980	38	1,787	38	517	71	20	91	268	61
Lee	37.4%	13	2,704	80	942	79	270	109	14	97	219	74
Leslie	35.6%	17	4,808	44	1,702	39	385	91	0	114	389	39
Letcher	31.8%	23	8,524	21	2,825	21	688	46	48	84	685	22
Lewis	30.7%	27	3,946	59	1,381	52	505	73	3	104	176	82
Lincoln	27.2%	35	5,375	36	1,815	35	978	25	410	43	272	58
Livingston	15.5%	98	1,376	111	347	114	286	103	3	104	83	114
Logan	16.1%	95	3,881	60	1,123	70	933	26	1,663	14	272	58
Lyon	14.3%	105	774	118	227	119	186	115	40	85	54	118
Madison	21.2%	60	10,859	13	3,207	19	1,415	10	1,308	16	828	17
Magoffin	42.5%	4	5,479	35	1,912	34	483	78	7	102	263	63
Marion	25.6%	42	4,061	54	1,308	57	738	41	660	31	363	43
Marshall	14.1%	108	3,765	62	1,073	73	860	29	0	114	269	60
Martin	35.4%	18	4,422	48	1,673	41	275	107	0	114	308	49
Mason	20.3%	63	3,341	70	1,193	65	448	85	705	27	301	51
McCracken	15.8%	96	9,798	17	3,325	18	1,608	6	3,431	6	1,240	6
McCreary	45.5%	2	7,062	25	2,679	22	662	51	7	102	497	26
McLean	19.2%	70	1,824	103	599	100	341	95	16	94	134	99
Meade	12.8%	112	3,085	75	1,218	61	256	111	2,100	9	170	84
Menifee	35.0%	19	1,776	104	563	103	223	113	11	99	132	100
Mercer	16.7%	91	3,167	73	1,094	72	493	75	502	38	227	71
Metcalfe	27.9%	33	2,461	88	805	90	432	87	158	66	141	96
Monroe	26.9%	38	3,025	77	751	93	769	37	158	66	165	88
Montgomery	21.0%	61	4,043	56	1,346	54	663	50	642	34	296	52
Morgan	38.8%	9	4,328	50	1,482	49	574	60	2	106	226	72
Muhlenberg	20.7%	62	6,381	30	1,994	33	787	34	671	30	488	28
Nelson	15.1%	101	4,408	49	1,494	48	670	48	1,287	17	437	35
Nicholas	22.6%	54	1,500	109	491	110	288	102	71	80	99	110
Ohio	23.6%	51	4,911	41	1,661	42	793	33	75	77	318	48
Oldham	6.3%	120	1,970	100	661	95	179	116	656	33	198	78
Owen	19.5%	68	1,728	105	550	105	361	93	99	74	114	107
Owsley	52.1%	1	2,570	85	853	84	295	100	0	114	116	105
Pendleton	18.9%	72	2,250	94	898	81	289	101	24	90	142	95
Perry	32.1%	22	9,636	18	3,360	17	767	38	318	49	676	23
Pike	25.4%	44	18,234	3	6,153	3	1,561	7	174	61	1,278	5
Powell	26.2%	40	3,032	76	1,134	69	372	92	24	90	249	66
Pulaski	22.7%	53	10,954	12	3,463	16	1,956	3	470	40	804	19
Robertson	24.8%	46	521	120	158	120	116	120	2	106	21	120
Rockcastle	30.7%	26	4,498	47	1,504	47	604	57	0	114	263	63
Rowan	28.9%	31	4,856	42	1,370	53	637	53	54	83	284	54
Russell	25.6%	41	3,740	65	1,046	74	803	31	66	81	229	70
Scott	14.5%	103	3,323	72	1,314	56	587	58	1,107	20	363	43
Shelby	14.2%	106	3,464	68	1,116	71	568	61	1,693	13	233	69
Simpson	15.5%	97	2,318	91	827	87	556	67	1,142	18	222	73
Spencer	19.2%	71	1,292	114	419	112	164	118	113	71	74	116
Taylor	19.5%	69	4,021	58	1,196	63	769	37	632	35	335	45
Todd	18.8%	73	2,029	98	566	102	519	69	737	26	139	98
Trigg	18.0%	79	1,846	102	504	108	508	72	755	25	142	95
Trimble	16.3%	94	980	116	308	116	167	117	0	114	63	117
Union	22.1%	55	3,615	66	1,203	62	395	89	1,002	23	260	64
Warren	17.5%	85	12,688	7	4,110	11	1,557	8	3,468	5	1,148	9
Washington	18.8%	74	1,929	101	604	98	389	90	421	42	131	101
Wayne	37.3%	14	6,446	28	2,142	30	1,027	22	163	64	327	47
Webster	16.5%	92	2,266	93	652	96	517	71	443	41	140	97
Whitley	33.0%	21	10,622	16	3,873	12	1,063	20	26	88	970	11
Wolfe	44.3%	3	2,835	78	1,017	76	282	105	0	114	277	56
Woodford	7.9%	118	1,538	108	519	107	297	98	997	24	122	103

Source: Bureau of the Census, Summary Tape File 3A.

LIST OF FINDINGS

Chapter 3

FINDING: The county poverty rate tends to highlight areas with large proportions of poor people among small populations.

FINDING: If the number of poor in each county is considered, then it is clear that the greatest numbers of poor Kentuckians are found in the urban counties, particularly Jefferson, Fayette, Boone, Kenton, and Campbell Counties.

FINDING: As defined by the Bureau of the Census, the federal poverty line is a useful, but limited, definition of poverty.

FINDING: Like the problem of poverty itself, federal poverty data are complex and sometimes difficult to interpret.

FINDING: The characteristics of the poor vary among regions of the state.

FINDING: Research indicates that poverty is strongly associated with characteristics that individuals cannot change, such as race, gender, and age.

FINDING: State programs other than poverty programs can also be categorized as antipoverty programs.

FINDING: While the addition of jobs in a community may act to reduce the community's poverty rate, it is not necessarily true that the addition of jobs will likewise reduce the number of poor individuals in that community.

FINDING: Nearly 70 percent of adults living with poor children live in families with one or two children and 90 percent live in families with three or fewer children.

FINDING: Over half (51%) of poor children live in married-couple families.

FINDING: Nearly 60 percent of poor children are urban.

FINDING: Only one fourth of the adults living with children in poverty reported receiving any income from public assistance, according to the 1990 Census.

FINDING: Poor adults *without* children are no more likely to be women than men. In contrast, 61 percent of the poor adults *with* children are women.

FINDING: Only 33,000, or 6 percent, of adults who work more than 75 percent of full-time annual hours live in families with incomes below the poverty level.

FINDING: A summary of demographic characteristics is instructive in showing *who* is poor, but is not sufficient to explain *why* certain individuals are poor.

LIST OF RECOMMENDATIONS

Chapter 4

RECOMMENDATION 4.1: That the General Assembly enact legislation requiring the forfeiture of professional licenses by delinquent payers of child support.

RECOMMENDATION 4.2: That the General Assembly enact legislation to create and fund an automated central registry to track new hiring and match employment records with child support obligations.

RECOMMENDATION 4.3: That the General Assembly direct the Administrative Office of the Courts to annually publish data fully disclosing the disposition of child support cases in each of the state's district and circuit courts, with copies to the Governor, Legislative Research Commission and Kentucky Commission on Women.

RECOMMENDATION 4.4: That the General Assembly enact legislation to create a tax credit or a grant for employers who provide child care services for dependents of their employees.

RECOMMENDATION 4.5: That the General Assembly direct the Office of Employee Benefits (Chapter VI, Recommendation 10) to develop a campaign to "market" the child care expense reimbursement program and the advantages of employer-assisted child care.

RECOMMENDATION 4.6: That the General Assembly direct the Office of Employee Benefits (Chapter VI, Recommendation 10) to develop a campaign to "market" the advantages of employer-subsidized health care.

RECOMMENDATION 4.7: That the Cabinet for Human Resources insure that all persons receiving any form of public assistance are advised of their eligibility to participate in the Adult Basic Education component of the JOBS Program, and that the cabinet institute a program to notify all persons under court or administrative order to pay child support of the eligibility requirements and services available under ABE/JOBS and JTPA.

RECOMMENDATION 4.8: That the Cabinet for Human Resources require all parents, other than the severely physically and mentally handicapped, who receive some form of public assistance other than AFDC, to undergo instruction in parenting and life skills available under the Adult Basic Education component of the JOBS Program.

RECOMMENDATION 4.9: That the General Assembly develop and fund a program to provide grants to public transportation companies, including regional rural systems operated by nonprofit organizations, such as Community Action Agencies, or to local units of government, including area development districts, to survey the transportation needs of their citizen clients to places of work or education, and to develop routes and schedules to meet those needs.

RECOMMENDATION 4.10: That the General Assembly direct the Office of Employee Benefits (Chapter VI, Recommendation 10) to develop a campaign to "market" the advantages of employer-assisted transportation.

RECOMMENDATION 4.11: That the General Assembly adjust the state's low-income tax credit schedule to ease the burden on Kentucky's most vulnerable families. Specifically, a full tax credit should be granted to families with incomes of $7,500 or less, a 50-percent credit to families with incomes less than $15,000, a 25-percent credit to families with incomes less than $20,000, a 15-percent credit to families with incomes less than $25,000, and a 5-percent credit to families with incomes less than $30,000.

Chapter 5

RECOMMENDATION 5.1: That the Cabinet for Human Resources strengthen its efforts to improve communication between caseworkers and clients, leading to full disclosure of the program options available to individuals or families eligible for public assistance.

RECOMMENDATION 5.2: That the Secretary of the Cabinet for Human Resources promulgate an administrative regulation amending Section 7 of 904 KAR 2:016 to: (1) apply a forty percent ratable reduction to the deficit between the family's countable income and the standard of need for the appropriate family size [as provided for in KRS 205.200(2)]; and (2) specify that the AFDC assistance payment shall be sixty percent of the deficit or the payment maximum, whichever is the lesser amount.

RECOMMENDATION 5.3: That the Secretary of the Cabinet for Human Resources request a waiver of Title IV-A of the Social Security Act to apply, concurrently, for twelve consecutive months the "first thirty dollars" and "one-third of the remainder of earned income" deductions allowable against earned income in computing AFDC benefits.

RECOMMENDATION 5.4: That Kentucky's AFDC cash-benefit levels be raised.

RECOMMENDATION 5.5: That Kentucky seek a federal waiver to raise the permitted resource limit for self-employed AFDC recipients to help meet the capital requirements of a new business.

RECOMMENDATION 5.6: That Kentucky seek a federal waiver to raise the automobile value limit excluded from the AFDC asset limit.

RECOMMENDATION 5.7: That AFDC regulations be amended to require non-teenage mothers with children under the age of 3 to receive the life-skills training portion of the JOBS Program, with emphasis on teaching participants how to raise children.

RECOMMENDATION 5.8: That the Cabinet for Human Resources develop a schedule of transportation allowances for JOBS participants based upon the individual need of the participant. "Need" would be a function of the distance that the participant is required to travel to participate in basic job training programs or to travel to vocational education or higher education facilities.

RECOMMENDATION 5.9: That the Cabinet for Human Resources and the Workforce Development Cabinet develop and implement an effective outreach program to market the WDC's services to the impoverished, particularly those who receive some sort of public assistance other than AFDC.

RECOMMENDATION 5.10: That the Cabinet for Human Resources evaluate the substance abuse treatment options available to JOBS participants and evaluate the success rate of long-term substance abuse treatment programs offered by private, nonprofit agencies, versus the rate of success of the more traditional short-term treatment programs provided by hospitals.

RECOMMENDATION 5.11: That Kentucky apply for a federal waiver to extend Transitional Child Care benefits from 12 to 24 months.

RECOMMENDATION 5.12: That the Commonwealth maintain its current level of support for poverty-related categorical programs, including AFDC and Medicaid, in the event that the state is allowed funding discretion through a block grant.

RECOMMENDATION 5.13: That the responsibility for the development of state policy concerning the allocation and administration of block grants be placed in the Office of the Governor.

Chapter 6

RECOMMENDATION 6.1: That the Kentucky Industrial Development Act (KIDA) and the Kentucky Jobs Development Act (KJDA) be amended to provide an incentive for the qualified business to hire a full-time equivalent of 25 percent of its employees from a targeted workforce. The targeted workforce would be made up of Kentucky residents who were unemployed, or who had received public assistance for at least 90 days prior to being employed by the business.

RECOMMENDATION 6.2: That the Kentucky Industrial Revitalization Act (KIRA) be amended to provide an incentive for the qualified business to hire a full-time equivalent of 25 percent of new or additional employees from a targeted workforce, as described in Recommendation 6.1.

RECOMMENDATION 6.3: That the Kentucky Rural Economic Development Act (KREDA) be amended to require the qualified business to hire a full-time equivalent of 25 percent of new or additional employees from a targeted workforce, as described in Recommendation 6.1, as a requisite for participation in the program.

RECOMMENDATION 6.4: That the Kentucky Enterprise Zone Program law be amended to eliminate residents of the enterprise zone from the definition of targeted workforce.

RECOMMENDATION 6.5: That the various statutes and administrative regulations governing the award of loans and grants for economic development purposes, and the statutes and administrative regulations authorizing the issuance of bonds to finance economic development loans and grants, be amended to add to the project selection and lending criteria (1) the number of jobs to be filled from the ranks of public assistance recipients or unemployed; (2) the level of wages to be paid; and (3) the employee benefits to be provided.

RECOMMENDATION 6.6: That the Kentucky General Assembly enact legislation to establish a viable, state-wide venture capital fund, with entrepreneur identification and technical assistance similar to that provided by the Kentucky Highlands Investment Corporation.

RECOMMENDATION 6.7: That the General Assembly authorize and fund an Office of Public-Private Partnerships to work with local, nonprofit organizations to identify local entrepreneurs, indigenous services and products, and to match venture capital with the prospective business venture.

RECOMMENDATION 6.8: That the General Assembly enact legislation to create a Linked Deposit Program for loans to small businesses. Emphasis should be placed on loans to minority-owned businesses.

RECOMMENDATION 6.9: That the General Assembly amend KRS 42.4588 to permit the construction of facilities to provide water and sewer services to residential housing and existing commercial and industrial facilities not contemplated within the current statute.

RECOMMENDATION 6.10: That the General Assembly authorize and fund an Office of Employee

Benefits to work with current and prospective employers to provide dependent care, transportation, and health care, and other employee benefits, to their employees.

RECOMMENDATION 6.11: That KRS 141.065 be amended to increase the tax credit awarded for the employment of the unemployed from $100 to $300 per person hired by the taxpayer, and to extend the credit to include the employment of public assistance recipients.

RECOMMENDATION 6.12: That the General Assembly develop a plan for participation in *Life Line*, with mandatory participation by each telephone company operating within the state. The Commission further recommends that the General Assembly consider the development of a Kentucky program to assist the unemployed or AFDC recipients who otherwise would not qualify under either of the two national programs.

RECOMMENDATION 6.13: That the General Assembly reaffirm its commitment to affirmative action and explore ways to strengthen Kentucky's Affirmative Action Plan for state government.

RECOMMENDATION 6.14: That the General Assembly create a Task Force on Technology and Human Development to identify and recommend the means for developing a technology and workforce base which will attract state-of-the-art manufacturing and services industries.

Chapter 7

RECOMMENDATION 7.1: That the current service levels of Kentucky's Head Start Program be maintained for every eligible child.

RECOMMENDATION 7.2: That the General Assembly enact legislation to mandate the adoption of the School-to-Work System.

RECOMMENDATION 7.3: (a) That the General Assembly appropriate for the 1996-98 biennium funds sufficient to serve at least 25 percent of the most educationally disadvantaged adult population (those who function at grade levels 0 to 8.9, or levels 1 and 2 on the Adult Literacy Survey) in the Commonwealth; and (b) That the Department for Adult Education and Literacy be required to develop programs to insure the enrollment of a minimum of 25 percent of their potential clientele for adult literacy programs during the 1996-98 biennium.

RECOMMENDATION 7.4: (a) That the General Assembly require each county-wide school district to provide on-campus child care service in at least one secondary school within the district; (b) that the county-wide school district be required to accept parenting students residing in an independent school district within the county; (c) that the child care facilities and service be made available to participants in adult basic education programs; and (d) that the General Assembly provide funding for the operation of the child care facilities on an average student daily attendance and adult participation basis.

RECOMMENDATION 7.5: That the General Assembly mandate a joint study by the Workforce Development Cabinet and the Council on Higher Education to determine the need for campus-situated child care for persons attending vocational and higher education schools and for adults enrolled in adult education courses.

RECOMMENDATION 7.6: That school districts be encouraged to develop academic mentoring programs in all secondary schools for at least those students considered to be at-risk, and job mentoring programs for all students enrolled in the School-to-Work Program.

RECOMMENDATION 7.7: That the Kentucky Department of Education develop a mandatory basic/survival skills course for all high school students, to be completed in their junior year. The purpose of the course would be two-fold: to insure that all students have the knowledge necessary to complete a job application, balance a checkbook, count change, and read a road map, and the skills necessary to pass basic math and English tests (similar to those given by prospective employers).

RECOMMENDATION 7.8: That the General Assembly encourage the integration of character education in Kentucky's elementary and secondary schools' curricula and support the use of *Character Education Teaching Strategies* for this purpose, and that the General Assembly require the Department of Education to conduct an annual survey to determine the extent to which character education is taught in Kentucky's schools and report the results to the Legislative Research Commission.

RECOMMENDATION 7.9: That the General Assembly continue full funding of the free and reduced-price school breakfast and lunch programs and the summer lunch program.

Chapter 8

RECOMMENDATION 8.1: That the General Assembly provide additional funding for the College Access Grant Program.

RECOMMENDATION 8.2: That the General Assembly enact legislation requiring Kentucky school districts to provide to the KHEAA the names and addresses of all students enrolled in the district in grades 8 through 12.

RECOMMENDATION 8.3: That the Kentucky Higher Education Assistance Authority, in conjunction with the Kentucky Workforce Development Cabinet, develop an outreach program, using a "peer-to-peer" approach, to provide information about postsecondary educational opportunities to hard-to-reach individuals.

RECOMMENDATION 8.4: That the General Assembly enact legislation requiring local Circuit Court Clerks to distribute information developed by KHEAA about postsecondary education opportunities and student financial aid to youth when they apply for their driver's learning permit.

RECOMMENDATION 8.5: That the Workforce Development Cabinet insure that the course offerings available through vocational-technical schools match the employment needs within the service area.

RECOMMENDATION 8.6: That the General Assembly amend current law (KRS 151B.025) to allow the Workforce Development Cabinet to grant "technical degrees" upon successful completion of selected vocational-technical programs.

RECOMMENDATION 8.7: That the General Assembly require the Interagency Council on Education and Job Training Coordination, or the Council on Higher Education, to provide for a transfer of credits between vocational-technical schools and community colleges or four-year institutions of higher education. Or, as an alternative, to provide proficiency testing in appropriate subject areas for vocational-technical school students who seek admission to community colleges or four-year institutions.

RECOMMENDATION 8.8: That the General Assembly require that the Interagency Council on Education and Job Training Coordination, or the Council on Higher Education, complete the development of a process for the transfer of credits between and among community colleges and universities.

Chapter 9

RECOMMENDATION 9.1: That the Kentucky General Assembly enact legislation to create a Kentucky Commission on Children and Families and mandate the establishment of local Commissions on Children and Families.

Chapter 10

RECOMMENDATION 10.1: That the General Assembly reconstitute the Commission on Poverty for the 1996-97 interim.